

Digitized by the Internet Archive  
in 2022 with funding from  
University of Toronto

<https://archive.org/details/31761115492100>









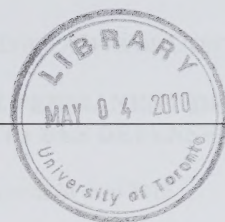


C420N  
XC26  
-E77

116

Publications

E-1



E-1

ISSN 1181-6465

## **Legislative Assembly of Ontario**

Second Session, 39<sup>th</sup> Parliament

## **Assemblée législative de l'Ontario**

Deuxième session, 39<sup>e</sup> législature

# **Official Report of Debates (Hansard)**

Wednesday 28 April 2010

# **Journal des débats (Hansard)**

Mercredi 28 avril 2010

## **Standing Committee on Estimates**

Organization

## **Comité permanent des budgets des dépenses**

Organisation

Chair: Garfield Dunlop  
Clerk pro tem: William Short

Président : Garfield Dunlop  
Greffier par intérim: William Short



### **Hansard on the Internet**

Hansard and other documents of the Legislative Assembly can be on your personal computer within hours after each sitting. The address is:

<http://www.ontla.on.ca/>

### **Index inquiries**

Reference to a cumulative index of previous issues may be obtained by calling the Hansard Reporting Service indexing staff at 416-325-7410 or 325-3708.

### **Le Journal des débats sur Internet**

L'adresse pour faire paraître sur votre ordinateur personnel le Journal et d'autres documents de l'Assemblée législative en quelques heures seulement après la séance est :

### **Renseignements sur l'index**

Adressez vos questions portant sur des numéros précédents du Journal des débats au personnel de l'index, qui vous fourniront des références aux pages dans l'index cumulatif, en composant le 416-325-7410 ou le 325-3708.

Hansard Reporting and Interpretation Services  
Room 500, West Wing, Legislative Building  
111 Wellesley Street West, Queen's Park  
Toronto ON M7A 1A2  
Telephone 416-325-7400; fax 416-325-7430  
Published by the Legislative Assembly of Ontario



Service du Journal des débats et d'interprétation  
Salle 500, aile ouest, Édifice du Parlement  
111, rue Wellesley ouest, Queen's Park  
Toronto ON M7A 1A2  
Téléphone, 416-325-7400; télécopieur, 416-325-7430  
Publié par l'Assemblée législative de l'Ontario



## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
ESTIMATESCOMITÉ PERMANENT DES  
BUDGETS DES DÉPENSES

Wednesday 28 April 2010

Mercredi 28 avril 2010

*The committee met at 1610 in room 151.*

## ORGANIZATION

**The Chair (Mr. Garfield Dunlop):** Good afternoon, everyone and committee members. I have a script I want to read first and then we'll select the ministries for the estimates for 2010-11.

As you know, the Lieutenant Governor has transmitted the estimates of certain sums required for the services of the province for the year ending March 31, 2011, to the Legislative Assembly. Pursuant to standing order 59, these printed estimates, upon tabling, are deemed to be referred to the Standing Committee on Estimates. All members of the House should have received a copy of the 2010-11 expenditure estimates when they were tabled on Thursday, April 22.

The objectives of today's meeting are: (1) to select the estimates of certain ministries or offices for detailed review by the committee, and (2) to determine the date on which the committee will begin the consideration of the selected estimates.

Standing order 60 sets out the process by which the committee makes its selections. Essentially, each of the recognized parties on the committee shall select the estimates of either one or two ministries or offices in each of two rounds of selection.

The official opposition selects first, followed by the third party and then the government. After two rounds of selection, the committee will have selected the estimates of six to 12 ministries or offices for review.

Each party also determines how much time is to be allocated to the consideration of estimates for each ministry or office selected. A maximum of 15 hours is permitted per selection. If only one ministry's estimates are selected in a round, those estimates could be reviewed for a maximum of 15 hours. If the estimates of two ministries are selected in a round, they could be reviewed for a combined maximum of 15 hours. It is up to the party making the selection to determine how the 15 hours are to be divided between the two ministries chosen.

At the conclusion of the two rounds, a maximum of 90 hours will have been allocated to the estimates review of the selected ministries or offices. The ministries and offices shall be reviewed in the order in which they were selected. This order may be changed only by an order of the House.

The estimates of the ministries and offices not selected for consideration will be deemed to have been passed by the committee. As Chair, I will report these estimates back to the House, and they will be deemed to be adopted and concurred in by the House.

Any supplementary estimates of selected ministries and offices shall be considered by the committee within the time allocated during this selection process.

In accordance with standing order 63(a), the committee must present a report to the House with respect to the estimates it selected and considered by the third Thursday of November this year, which is November 18, 2010. If the committee fails to report by the third Thursday in November, the estimates and supplementary estimates before the committee will be deemed to be passed by the committee and deemed to be reported to and received by the House.

Do the members have any questions before we begin?

**Mr. John O'Toole:** Just quickly, I want to verify that in the sequence of choice we would go first.

**The Chair (Mr. Garfield Dunlop):** You would go first, the third party second and the government third. We'll go in that rotation.

**Mr. John O'Toole:** And then, once that's selected, each one is probably seven and a half hours of their time and on the second one we would just go similarly?

**The Chair (Mr. Garfield Dunlop):** Exactly.

**Mr. John O'Toole:** The NDP don't start first?

**The Chair (Mr. Garfield Dunlop):** No. We'll just go in rotation like that.

**Mr. Gilles Bisson:** Just to clarify, it's a total of 15 hours per pick.

**The Chair (Mr. Garfield Dunlop):** Two ministries for seven hours or 15 hours for one.

Okay, so Mr. O'Toole, you'll go first.

**Mr. John O'Toole:** Yes, our first request would be the government services ministry.

**Mr. Gilles Bisson:** For how long?

**Mr. John O'Toole:** For seven and a half hours.

**The Chair (Mr. Garfield Dunlop):** Seven and a half hours? And your second pick?

**Mr. John O'Toole:** Our second pick would actually be the Ministry of Revenue.

**The Chair (Mr. Garfield Dunlop):** For seven and a half hours as well?

**Mr. John O'Toole:** For seven and a half hours.



**Mr. Gilles Bisson:** So both picks at seven and a half hours, finance being number 1 and northern development, mines and forestry being number 2.

**The Chair (Mr. Garfield Dunlop):** Sorry, could you say that again?

**Mr. Gilles Bisson:** Finance number 1, for seven and a half hours. Northern development, mines and forestry for number 2, at 7.5 hours.

**The Chair (Mr. Garfield Dunlop):** Government?

**Mr. Lou Rinaldi:** Our first choice is training, colleges and universities for six and a half hours and economic development and trade for six and a half hours.

**The Chair (Mr. Garfield Dunlop):** Just six and a half?

**Mr. Lou Rinaldi:** Yes, sir.

**The Chair (Mr. Garfield Dunlop):** Training, colleges and universities. What was the second one?

**Mr. Lou Rinaldi:** EDT, economic development and trade.

**The Chair (Mr. Garfield Dunlop):** Okay. Mr. O'Toole—

**Mr. Gilles Bisson:** I just want to be clear: How many hours each? I didn't hear—

**Mr. Lou Rinaldi:** Six and a half.

**The Chair (Mr. Garfield Dunlop):** Mr. O'Toole.

**Mr. John O'Toole:** This is the second round? Have I already got my request for the second choice being the revenue ministry?

**The Chair (Mr. Garfield Dunlop):** You've already chosen revenue.

**Mr. John O'Toole:** My first, of course, was government services, right?

**The Chair (Mr. Garfield Dunlop):** Right.

**Mr. John O'Toole:** Our next choice would be health and long-term care.

I'm going to revise that. I would suspect that we would go with energy and infrastructure.

**Mr. Gilles Bisson:** So you're doing health and energy and infrastructure both at seven and a half?

**Mr. John O'Toole:** We'd like to split them as two, and so my second choice would be actually energy and infrastructure.

**The Chair (Mr. Garfield Dunlop):** So your first one for seven and a half hours is health and long-term care and energy and infrastructure second for seven and a half?

**Mr. John O'Toole:** Yes.

**The Chair (Mr. Garfield Dunlop):** Okay.

**Mr. Lou Rinaldi:** Sorry. What was the first again?

*Interjection.*

**Mr. Lou Rinaldi:** And infrastructure.

**The Chair (Mr. Garfield Dunlop):** Mr. Bisson.

**Mr. Gilles Bisson:** Two at seven and a half hours, transportation being the first one and children and youth being the second.

**The Chair (Mr. Garfield Dunlop):** Government?

**Mr. Lou Rinaldi:** For our second round, intergovernmental affairs and aboriginal affairs for six and a half hours each.

**The Chair (Mr. Garfield Dunlop):** Intergovernmental affairs for six and a half?

**Mr. Lou Rinaldi:** Yes, and aboriginal affairs for the other six and a half.

**The Chair (Mr. Garfield Dunlop):** Okay.

What was aboriginal affairs?

*Interjections.*

**The Chair (Mr. Garfield Dunlop):** We're going to go over this again. That's the two rounds completed, so we'll go over it one more time.

The first choice for the Progressive Conservative Party is government services for seven and a half hours. Second is the Ministry of Revenue for seven and a half hours. Third is the NDP for seven and a half hours for finance. Northern development and mines for seven and a half hours is the fourth choice. TCU for six and a half hours for the government. Number 6 would be the Liberals at six and a half hours for economic development and trade. Then we go to choice 7: The PCs and health and long-term care for seven and a half hours. Energy and infrastructure for seven and a half hours was number 8. Transportation is number 9—NDP for seven and a half hours. Children and youth services for the NDP is seven and a half hours. Aboriginal affairs for six and a half hours was the 11th choice by the Liberals. Finally, intergovernmental affairs for six and a half hours by the Liberals. Okay? We'll put that on our calendar.

So our first meeting will be on Tuesday, May 11, first thing in the morning. It will be between 9 and 10:20. Government services will be that day and probably part of the next, and then we'll continue from that point on.

**Mr. Gilles Bisson:** To the clerk of the committee in regard to the six and a half hours, I'm just curious: How often has that happened, when we've actually selected a round less than the 15 hours that can be selected for estimates?

**The Clerk pro tem (Mr. William Short):** According to the standing orders, each round is a maximum of 15 hours.

**Mr. Gilles Bisson:** I understand the standing orders. I'm just asking, how often have we actually picked ministries to be under the 15-hour total?

**The Clerk pro tem (Mr. William Short):** I could look into that. I don't have the numbers in front of me, but I can look into that for you.

**Mr. Gilles Bisson:** Can you get me that, please, and the members of the committee?

**The Clerk pro tem (Mr. William Short):** Yes.

**The Chair (Mr. Garfield Dunlop):** Are there any other questions on the estimates for this year?

**Mr. Gilles Bisson:** Well, I do have another question. For what reason would the government overwhelm the number of hours allotted in your picks? Why not take the seven and a half? Is there a particular political strategy that I'm missing?

**The Chair (Mr. Garfield Dunlop):** I think that's their choice. They can use up seven and a half hours.

*Interjection.*

**Mr. Gilles Bisson:** I'm asking the question.

**The Chair (Mr. Garfield Dunlop):** Would you like to explain or is there any reason? No?



**Mr. Lou Rinaldi:** I can, yes. It's our prerogative, and I think we're working within the realm of what the committee does.

**Mr. Gilles Bisson:** Okay. That's all I wanted for the record. Thank you.

**Mr. John O'Toole:** Chair, do you need unanimous consent to change a preference, if there are other estimates that come in, supplementary estimates or something like that, to change the priority?

**The Chair (Mr. Garfield Dunlop):** An order of the House from here on in.

**Mr. John O'Toole:** An order of the House from here on?

**The Chair (Mr. Garfield Dunlop):** Yes, unanimous consent for the House to change it.

So, this is what we'll be going right through to November with, this schedule right now, unless the House changes it for us.

That's it. The meeting is adjourned. Thank you very much, everyone.

*The committee adjourned at 1622.*







# CONTENTS

Wednesday 28 April 2010

Organization ..... E-1

## STANDING COMMITTEE ON ESTIMATES

### **Chair / Président**

Mr. Garfield Dunlop (Simcoe North / Simcoe-Nord PC)

### **Vice-Chair / Vice-Président**

Mr. Robert Bailey (Sarnia–Lambton PC)

Mr. Robert Bailey (Sarnia–Lambton PC)

Mr. Gilles Bisson (Timmins–James Bay / Timmins–Baie James ND)

Mr. Jim Brownell (Stormont–Dundas–South Glengarry L)

Mr. Kim Craitor (Niagara Falls L)

Mr. Bob Delaney (Mississauga–Streetsville L)

Mr. Garfield Dunlop (Simcoe North / Simcoe-Nord PC)

Mrs. Amrit Mangat (Mississauga–Brampton South / Mississauga–Brampton-Sud L)

Mr. Phil McNeely (Ottawa–Orléans L)

Mr. John O'Toole (Durham PC)

### **Substitutions / Membres remplaçants**

Mr. Lou Rinaldi (Northumberland–Quinte West L)

### **Clerk pro tem / Greffier par intérim**

Mr. William Short

### **Staff / Personnel**

Mr. Ray McLellan, research officer,  
Legislative Research Service



ISSN 1181-6465

## Legislative Assembly of Ontario

Second Session, 39<sup>th</sup> Parliament

## Assemblée législative de l'Ontario

Deuxième session, 39<sup>e</sup> législature

# Official Report of Debates (Hansard)

Tuesday 11 May 2010

# Journal des débats (Hansard)

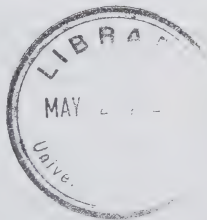
Mardi 11 mai 2010

## Standing Committee on Estimates

Ministry of Government Services

## Comité permanent des budgets des dépenses

Ministère des Services  
gouvernementaux



Chair: Garfield Dunlop  
Clerk pro tem: William Short

Président : Garfield Dunlop  
Greffier par intérim: William Short

### **Hansard on the Internet**

Hansard and other documents of the Legislative Assembly can be on your personal computer within hours after each sitting. The address is:

<http://www.ontla.on.ca/>

### **Index inquiries**

Reference to a cumulative index of previous issues may be obtained by calling the Hansard Reporting Service indexing staff at 416-325-7410 or 325-3708.

### **Le Journal des débats sur Internet**

L'adresse pour faire paraître sur votre ordinateur personnel le Journal et d'autres documents de l'Assemblée législative en quelques heures seulement après la séance est :

### **Renseignements sur l'index**

Adressez vos questions portant sur des numéros précédents du Journal des débats au personnel de l'index, qui vous fourniront des références aux pages dans l'index cumulatif, en composant le 416-325-7410 ou le 325-3708.

---

Hansard Reporting and Interpretation Services  
Room 500, West Wing, Legislative Building  
111 Wellesley Street West, Queen's Park  
Toronto ON M7A 1A2  
Telephone 416-325-7400; fax 416-325-7430  
Published by the Legislative Assembly of Ontario



Service du Journal des débats et d'interprétation  
Salle 500, aile ouest, Édifice du Parlement  
111, rue Wellesley ouest, Queen's Park  
Toronto ON M7A 1A2  
Téléphone, 416-325-7400; télécopieur, 416-325-7430  
Publié par l'Assemblée législative de l'Ontario



## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
ESTIMATESCOMITÉ PERMANENT DES  
BUDGETS DES DÉPENSES

Tuesday 11 May 2010

Mardi 11 mai 2010

*The committee met at 0901 in room 151.*

## MINISTRY OF GOVERNMENT SERVICES

**The Chair (Mr. Garfield Dunlop):** Good morning, everyone. I welcome everyone here this morning. Minister Takhar, we appreciate you being here this morning. To the staff of the ministry as well, thank you all for being here this morning.

We're here to discuss the estimates of the Ministry of Government Services. We will go through this morning until approximately 10:20, when we'll adjourn, and then we'll come back this afternoon after routine proceedings. I want to let you know that we have a total of seven and a half hours of time allocated for the Ministry of Government Services.

Minister, you'll have 30 minutes for your opening remarks. Then we'll go to the official opposition for your opening remarks, Mr. O'Toole, and you can use some of that time to question the minister, if you want. Then we'll go to the third party for 30 minutes, and then back to the minister for a 30-minute response. If you don't want to use that 30 minutes, then I'm going to immediately go, in 20-minute rotation, to the opposition. Then we'll move from the opposition to the third party to government until we're done the seven and a half hours.

Minister, the floor is yours.

**Hon. Harinder S. Takhar:** Good morning, everyone. I would like to thank the committee for providing this opportunity to talk about the great work the Ministry of Government Services is doing on behalf of all Ontario residents.

With me today, on my right, is MGS Deputy Minister Ron McKerlie, and on my left is ServiceOntario Deputy Minister Bob Stark. I've got great help, so they'll be ready to answer your questions. They also have some of their senior staff members here.

I am here to discuss our estimates, but I really see this as a great opportunity to talk about all the great developments and initiatives that have been undertaken at MGS and ServiceOntario over the past few years. I will start with a more general overview of MGS activities and then focus on specific areas such as I&IT, human resources, accountability, procurement, diversity, the green office and, of course, ServiceOntario.

MGS was created on June 29, 2005, incorporating the former Management Board Secretariat, the Ministry of

Consumer and Business Services, and the Centre for Leadership and Human Resource Management. The consumer file has since been re-established as its own ministry.

In the past five years, MGS has undergone significant growth and transformation. Many enterprise-wide functions have been transferred from other ministries into MGS for services in human resources, I&IT services, Ontario Shared Services and ServiceOntario.

MGS functions as both a public-facing line ministry—through ServiceOntario—and an enterprise organization responsible for supporting our 66,000-plus workforce and supporting 27 ministries as they implement key government priorities.

We issue birth and marriage certificates, staff 81 ServiceOntario locations, manage 265 driver and vehicle licence-issuing offices, 130 health card outreach locations, 70 self-service kiosks, 54 land registry offices and eight telephone contact centres.

In addition, MGS carefully preserves Ontario's rich history through the Archives of Ontario.

MGS is responsible for building the best public service in the world in order to deliver on the government's commitment to being a responsive and innovative leader in public and customer service. Whether in Toronto, Ottawa, Windsor, Kingston, Thunder Bay or any other city or community in this great province, the work of MGS impacts the lives of all Ontarians.

Estimates for 2010-11: As the estimates book indicates, the operating budget for the Ministry of Government Services for the fiscal year 2010-11 is \$1.47 billion, an increase of approximately \$91 million in operating expenses over the last fiscal year. The increase is largely due to an increase of \$52 million in spending for information and technology infrastructure support to establish and maintain a modern IT infrastructure and government services to the public.

The increase in operating expenses is related to the following: a \$37-million increase related to the enterprise-based key technology systems; a \$7.8-million increase to fund the next generation government mobile communications project; and a \$7.2-million increase related to the transition project and maintenance for the Guelph data centre—\$2.9 million for transition and \$4.3 million for ongoing operations. The remaining \$39-million increase reflects employee pension and benefit costs of \$37 million that result from funding require-

ments to offset investment losses in 2009-10, and a net \$2 million for the government's ongoing commitment to delivering top-quality public services to Ontarians in a fiscally responsible manner.

The ministry's estimates reflect its focus on transforming and improving government services; delivering on results and fiscal priorities; providing Ontarians with reliable, easy access to improved cost-effective government services; and making the OPS an employer of first choice.

Let me just start with a little bit about financial restraint. Ontarians value and appreciate the contribution of those who deliver their public services. They also expect those who are paid by tax dollars to do their part to help sustain public services. In the 2010 budget, the government announced that it will introduce legislation that would: extend the existing freeze of the salaries of members of provincial Parliament from one to three years, freeze the compensation structures for non-bargaining political and Legislative Assembly staff for two years, and freeze compensation structures in the OPS and broader public sector for two years for all non-bargaining employees.

Over two years, these measures will help redirect up to \$750 million towards schools, hospitals and other public services. Going forward, the government's fiscal plan provides no funding for incremental compensation increases for future collective agreements. As you know, the responsibility for negotiating collective agreements lays with this ministry.

**Hiring restraint:** As announced in the 2009 budget, the size of the Ontario public service is being reduced by 5%, or 3,400 full-time employees over a three-year period through attrition and other measures. After one year, we are well on our way to meeting the goal. The quality of service delivered to the public is not, and will not, be compromised.

Ontario has the lowest number of provincial public servants per capita, compared to any other Canadian province. Ontario also has the lowest expenditure per capita on general government services. Total current expenditures per capita were \$7,339 in 2008-09, lower than any other province.

On December 2, 2008, the government placed a cap on the size of the Ontario public service at 68,645 employees. In the first year of this three-year plan, the OPS is on track to meet the 5% reduction, with one third of the target met to date.

**I and IT:** Our corporate I and IT branch continues to modernize key government IT applications. Our major application portfolio strategy, normally called MAPS, is providing these applications, ensuring the continued delivery of critical public services. The major application portfolio strategy, or MAPS, has addressed 32 at-risk systems as of March of this year.

0910

We have now completed the construction of the new data centre in Guelph to meet the government's information technology requirements. The new data centre is a

critical component in the information technology infrastructure required to support essential services to Ontarians. The Ministry of Government Services is leading an extensive multi-year project involving all ministries and information technology clusters to transition just over 400 ministry mission and business-critical applications to the new Guelph data centre. The new data centre is the IT backbone in support of programs delivered by all ministries and will ensure long-term stability and service excellence.

The province also continues to invest in broadband infrastructure so that more Ontario citizens, particularly those who live and work in remote areas, can access online government services.

**Accountability:** In the past year the government, through MGS, has taken several steps to strengthen accountability, transparency and oversight of expenses.

On April 1, 2010, a new travel, meal and hospitality expenses directive, which provides stronger and simpler expense rules, came into effect. The travel, meal and hospitality expenses directive applies to all ministries and their employees, all classified agencies and their employees and appointees, all consultants and contractors to ministries or to classified agencies, and all organizations prescribed by regulation under the Public Sector Expenses Review Act. Online training on the government's new expense rules is now mandatory for all staff who will be submitting or approving claims.

Under the newly implemented Public Sector Expenses Review Act, appointees, senior executives and the top five claimants at 22 of Ontario's largest agencies are required to publicly disclose information on expenses. They are now being required to abide by the same rules as ministers, political staff and senior government managers.

In addition, a website to provide the public with regular updates on the expense claims of senior officials is now up and running.

**Freedom of Information and Protection of Privacy Act:** As you likely know, MGS is also responsible for the province's freedom of information and privacy legislation. The Information and Privacy Commissioner tabled her annual report for 2008 in the Legislature on May 13, 2009. Overall, the commissioner's annual report was very positive in tone. The commissioner's message begins by stating that "there were significant advances in both access and privacy in 2008."

**Consulting:** Consulting expenditures have decreased from \$656 million in 2001-02 to \$304 million in 2009-10, a reduction of \$350-plus million. Since 2003, 1,415 positions have been approved for conversion to replace work previously done by consultants, resulting in an ongoing annual savings of approximately \$58 million.

In addition, the government has taken steps to ensure that all ministries and agencies use open, competitive and transparent processes to acquire consulting services. These changes apply to agencies such as the Liquor Control Board of Ontario, the Workplace Safety and Insurance Board, Hydro One, Ontario Power Generation,



Infrastructure Ontario and the Ontario Lottery and Gaming Corp.

Employer of first choice: As one of Ontario's largest employers within Canada's most populous and culturally diverse province, the OPS strives to be an employer of first choice. We are creating and maintaining a culture of learning and promoting new and diverse ideas and approaches. Our employees make a real difference in the lives of Ontarians every day—from protecting the environment, supporting new businesses, and improving our public education system. Ontario's public servants are dedicated to providing modern public services, and have a commitment to excellence that is unparalleled. I am very proud of our hard-working public service.

We know there is always room for improvement, but it is gratifying to see that the hard work being undertaken in the Ministry of Government Services to date is being recognized. The OPS has been chosen as one of Canada's Top 100 employers for the second year in a row, one of Canada's Best Diversity Employers for the third year in a row, and recently was acknowledged as one of Canada's greenest employers. I'm very proud that the OPS has received these awards. It means we are moving in the right direction.

HROntario: HROntario was created in July 2008 to provide a more strategic approach to human resource management, and to consolidate HR functions across the OPS into a more integrated, enterprise service delivery organization. HROntario provides HR services and support to 66,000-plus public servants. HROntario is providing the enterprise policies, strategies, programs and services that enable the OPS to be an employer of first choice and to deliver quality public services. It is providing corporate management policies to ensure an accountable and professional public service. It is promoting OPS transformation and service excellence.

We are attracting youth and new professionals through outreach activities and a number of employment programs. In 2009-10, we offered a total of 6,000 employment opportunities for youth and new professionals.

Research shows that the most successful organizations are those with highly engaged employees—employees with a high level of job satisfaction and commitment to the organization and its goals. OPS employee engagement scores have increased from 65.97% in 2007 to 72.47% in 2009.

OPS average wage increases are lower than the overall public sector. Other cost-saving measures were attained through bargaining. For example, HRO has implemented the attendance support management program, in the Ministry of Correctional Services and the Ministry of Children and Youth Services, that is reducing sick-time usage and its associated costs.

HROntario has implemented a number of initiatives to improve oversight, accountability, transparency and to reaffirm the government's commitment to protect taxpayer dollars. For example, HROntario developed the Public Sector Expenses Review Act, which enables the Integrity Commissioner to review the expenses of execu-

tives at 22 of the government's largest agencies; launched the public disclosure of expenses website; revised the travel, meal and hospitality expenses directive, and revised the agency establishment and accountability directive.

HROntario also promotes OPS transformation and service excellence. It led and supported the implementation of the OPS service directive that requires all ministries to develop, publish and improve service standards and place a greater focus on timely, accessible, client-focused service delivery.

Diversity: The government has undertaken a number of diversity initiatives, which helps ensure the OPS is a truly diverse and inclusive organization. It created a diversity office within MGS, with responsibility for developing and implementing a number of government-wide diversity initiatives. Noelle Richardson was appointed Ontario's very first Chief Diversity Officer and is the executive lead for enterprise-wide diversity initiatives. The OPS diversity office serves as a centre of excellence to assist in the transformation of the OPS toward appreciating diversity and becoming more inclusive. The aim is to ensure that the principles of inclusion, diversity, equity and accessibility are embedded into everything we do as an organization.

Green office: For the first time, the OPS has been recognized as one of Canada's greenest employers for 2010. The Canada's Greenest Employers Award is part of the Canada's Top 100 Employers competition conducted by Mediacorp Canada. Mediacorp cited several reasons for selecting the OPS for the award, including the green office's leading important initiatives including a telecommuting pilot, enterprise video conferencing, e-waste disposal and a new power management pilot, just to name a few.

The government has set a target of reducing its carbon footprint from direct operations by 19% over the next four years and will increase this target to 27% by 2020. We are also reducing printing by 50% by 2012 through the elimination of two thirds of personal printers, mandatory double-sided printing and greater use of electronic approvals. This results in less electricity—approximately 4.5 million kilowatt hours saved every year—fewer toner cartridges and less waste. The Ontario government is also adjusting desktop power management settings on all OPS computers, resulting in a reduction of 19 million kilowatt hours per year, or enough energy to power approximately 1,700 houses for a year.

**0920**

I would now like to turn my attention to Service-Ontario, which is emerging as the integrated gateway to government services across the province. The ministry's service modernization initiative will make Service-Ontario better by closing critical gaps in service coverage and access across the province. Changes occurring under the plan will vastly improve our service delivery network, especially in rural and remote areas, and Ontarians will get extended hours of service and more online service guarantees.



Just last month I had the honour of opening a brand new ServiceOntario centre on the Canadian Forces base in Petawawa. This new centre provides improved access to government services for both military and non-military families, allowing them to renew their health cards, driver's licences and vehicle registrations, in addition to other services. The announcement of that location is just one part of ServiceOntario's plan to integrate most health card and driver and vehicle services so that more Ontarians will be able to make one trip for these essential services. By the end of this year, nearly 95% of all Ontarians will be within 10 kilometres of an integrated ServiceOntario centre. We are making it easier for Ontarians to get the service they need, when they need it and how they need it.

Service revolution: I would like to provide a little history behind ServiceOntario's great success story. In the early 2000s, a combination of higher demand, tighter security needs and various organizational issues made for long lines and wait times for even the most basic services. Much of this followed 9/11, which provided a wake-up call for more secure passports. This meant tougher standards and processes for documents used to get a passport, including birth certificates.

Since a birth certificate is a foundation document used to get most other forms of identification, this sudden increase in demand and security exacerbated an already overburdened system. The resulting pressure created a standard 20-week-long backlog on birth certificates.

In June 2006 the government approved the ServiceOntario modernization initiative, providing a mandate to establish ServiceOntario as the government's customer service retail arm. It meant providing services in ways that were faster and better than ever before. It recognized that citizens have higher service expectations of their government.

It took hard work and some out-of-the-box thinking. It took a service revolution and previously unheard-of government money-back guarantees. This meant offering the first-ever service guarantee for birth certificates, processed and delivered from desktop to doorstep within 15 business days or your money back. The service guarantee was important because it gave customers unprecedented certainty and a way to hold government accountable for its service. Since its launch in 2005, the service guarantee has been extended to marriage and death certificates as well. Today approximately 80% of all birth certificate applications are received online, and the guarantee is met more than 99.5% of the time.

By introducing more modern systems, online services and the precedent-setting series of service guarantees, ServiceOntario has set a new standard for government service.

Driver licence and vehicle registration services, health cards and business services—these and more are now coming under the ServiceOntario umbrella. ServiceOntario is creating a one-stop shopping experience that will be available at ServiceOntario centres conveniently located across the province by the end of this year. With

the reconfigured ServiceOntario network, most Ontarians will be living within 10 kilometres of a government service centre.

Customers can now renew their vehicle registration sticker online and have it delivered within five business days.

Access to routine health card services will improve from 27 locations to almost 300 locations. In rural communities access to routine health card services will expand from two to 163 ServiceOntario centres. In northern communities access to routine health card services will expand from six to 67 ServiceOntario centres.

Let me just talk a little bit about the newborn registration service. The recently introduced newborn registration service allow new parents to go online, register a birth, apply for a birth certificate from the province and apply for a social insurance number from the federal government, all at the same time. So the three steps actually have been reduced to one step, and we are working with our partners in other levels of government to make things even easier for Ontarians.

The new BizPaL venture allows entrepreneurs and business owners to go online and get a list of the municipal, provincial and federal licences and registrations required to start a business, all through one simple interface. On top of this, we're making it easier for businesses to transact with the government of Ontario. We are issuing master business licences within our two-day guarantee, 100% of the time.

ServiceOntario is playing a key role in delivering faster, smarter and streamlined government-to-business services through the Open for Business initiative. This initiative includes a new business information line covering more than 12 existing numbers. The initiative includes the adoption of single business ID numbers by eight programs within the Ministries of Revenue, Labour and the Environment. As well, it involves the creation of one-window online access and a government-wide contact centre for business. Ontario is indeed open for business and ServiceOntario is the front door.

Land registration offices: Ontario's land registration system has been undergoing transformation from a paper record and manual operation to an automated record and electronic operation for a number of years through a joint initiative between the ministry and Teranet. This transformation has resulted in the conversion of properties from the Registry Act to the Land Titles Act, which provides a government guarantee of ownership to property.

As of March 31 of this year, 52 of the 54 land registry offices have been automated, and it is anticipated that the automation will be completed within the next year.

Some 12.7 million Ontario residents use ServiceOntario for a variety of services, including birth and marriage certificates, health cards, driver's licences, licence plate renewals, fishing and hunting licences and numerous other provincial services. In 2008-09, ServiceOntario facilitated about 44 million interactions on behalf of the government of Ontario. Today, ServiceOntario is recognized as a world leader in the modernization of

service delivery, and we are sharing this knowledge with governments across the world, including the United Arab Emirates, Ireland and India.

Improvements will continue to come, all with the same goal in mind: making it easier for the people of Ontario.

In conclusion, I would like to thank the committee members for this opportunity to talk about the work being done at the Ministry of Government Services on behalf of all Ontarians.

**The Chair (Mr. Garfield Dunlop):** Thank you very much, Minister, and thank you for providing a copy of the speech upfront, both for Hansard and for the translation as well.

Is there anything else you want to add to that before going to the official opposition?

**Hon. Harinder S. Takhar:** All I want to say is that the MGS is sort of the corporate services function for the government of Ontario. This is where we develop policies and procedures which the other ministries or agencies follow. All of our services are dedicated so that we can provide the best service possible to Ontarians.

This is like a centralized function where most of the centralized functions take place. This ministry is pretty big in size. It looks after all the information systems and, from the policy point of view, all the HR and procurement functions. It also provides all the services that Ontarians need under one roof.

I just want to say it's sort of like a centralized function in the government; we develop policies and procedures that the other ministries follow.

**The Chair (Mr. Garfield Dunlop):** Okay. We'll now go to official opposition. Mr. O'Toole, you can begin. You have 30 minutes to speak, or you can begin to ask questions as well at some point.

**Mr. John O'Toole:** Yes, thank you very much, Chair, and thank you, Minister, for your presentation.

I want to say from the outset that I'm reasonably familiar, but certainly not as familiar as you are, with this. It's a very complex ministry. I want to thank your staff for the large presentation of notes and information. That has been helpful to the extreme, perhaps. What I mean by that is I appreciate your presentation. Anything I say is certainly meant in my role as a critic, and it's to point out the things that I find less successful than the glowing remarks you've made.

0930

I do know there's a lot of good work going on. I recall that some time ago, perhaps when we were in government, which seems like a distant memory—I remember working with—when I was in, I guess it was called consumer business services back then—and spending some time with a fellow named Art Daniels, who was assistant deputy minister, I think, or sort of that role. He put a presentation on, as my orientation, I guess—and I had a bit of background in IT in my day—and it was just pretty much what you're talking about today, about Service-Ontario, kind of the one window. In fact, he was kind enough to put a presentation on, and I thought, having

spent some time on the public library board at one time and having been a programmer many, many years ago, that it was inspirational. I thought the libraries were the right place to look. In fact, they had a policy at one time that was called One Place to Look. There's a lot of duplication in government publications, and if you want to find it now it's all online anyway.

The work goes on under ServiceOntario by many other names. I can tell you that Art Daniels—and your staff there probably would know that they were, and I imagine they still are, inspirational people to work with. But when it comes to finding this One Place to Look, sometimes you have to pay for it. And this is under one of your roles as the FOI privacy office. We've submitted, as you know, because of the many scandals under Premier McGuinty's role—I'm sure you had very little role, if any, in it, but there have been scandals. EHealth: Certainly the auditor commented on that. It was sort of the revelation, if you will, to us as the opposition that there must be more to this. So we started looking, and the auditor obviously looked and the OLG came up, the Ontario Lottery and Gaming Corp. There are lots of exceptional circumstances there, and then after that, the WSIB and others. And we found out this whole idea that there wasn't much tendering going on for some of the services and/or products that were being acquired by the government. In fact, we were only standing in some sort of awe that the expenditures were outpacing revenue. Revenue was going in one direction and expenditures were going in the other. There seemed to be, in a general sense, without being personally critical, no accountability and a certain tone of arrogance taking over.

In your own case, you were questioned, and we'll leave that as it is. It's on the record. We've tried to put questions forward under FOI. We were told that for the Ministry of Government Services to respond to some of our requests, it was \$9,000. This is all taxpayers' money. You wanted \$9,000. If some of the questions or inquiries were spurious or reckless or unnecessary, we could have been told that. But if they were quite straightforward questions emanating from something from the press or something that we've observed, that's unacceptable.

Five ministries have fee estimates of over \$3,000. It cost less money for the eHealth or OLG requests some time ago. So the more requests we have, the more expensive they get. And that's anything but accessibility. And that's the opposition, the loyal opposition, trying to do its job. Yes, often, the headlines are problematic or negative, and that's not something I go along with too much. But I think the interesting thing here is, why should we be spending government money when in fact that information, at some point, belongs to the people of Ontario?

In fact, just last week, you will recall—and I'm looking at Hansard; I was looking while you were reading—we had a truth-in-government private member's bill replicating basically what's available in other provinces. Three or four other provinces have this disclosure request which says that a threshold of, say, \$10,000 expenditures should all be posted.



We've listened to the litany again. In fact, I have your remarks in Hansard here. You said, "The Ontario government has already made the legislation and policy changes to increase" the transparency of expense disclosures and procurements and to expand freedom-of-information access across government. It goes on to say—but we checked this morning; there's not one thing on there. There's a headline. I'll show them to you; I've got all that here. There's a website. Sure enough, you've got some qualified IT people getting the website up, but there's nothing on it. There it is; I just looked this morning. You talk a good story, but the truth is in the delivery, and it's not there.

It goes deeper, which sort of spoils the whole positive mood we started with here. I have a different job here: I'm trying to find out stuff that you won't tell me. So I'm asking you and your staff today, on the record, to table those documents that have been committed to and promised. I don't want all the verbiage with them. I want them on paper so that we can follow up in question period and put your feet to the fire, so to speak.

It goes on to say here in the—

**The Chair (Mr. Garfield Dunlop):** Sorry, did you get an actual request in? Are you going to resubmit it as a question?

**Mr. John O'Toole:** No—well, we'll sort that out logistically. What I want is all of those requests responded to that have already been submitted, and I want them free, on behalf of the people of Ontario. If you're refusing to do that—if that's the answer—then that becomes the issue, part two.

I would say that, more importantly, since you're headed by Bill 201, Public Sector Expenses Review Act, 2009, you should be intimately familiar with what I'm trying to get at: that it be available and not limited by cost, as you said in the introduction of that bill. I've got evidence here that it's \$9,000—we've been told—and I think that's a violation of our integrity itself.

Lately in my riding, I've been hearing from people who have, I guess, lost their contracts. It's hard to protect their innocence, because they had the integrity to leave Blue Pebble, which was one of the consulting firms in the eHealth issue. Now we hear that they initially worked for Cancer Care Ontario—the same, very qualified academic in health care, IT-specialized, but a health care provider who has taught at the university level as well, I should say. That person tells me that some of that stuff is still going on.

The cost of the MGS audit and report for the Ontario internal audit division is \$5,700. These types of audits reveal the serious problem at Cancer Care Ontario and Blue Pebble. Why isn't there a disclosure on this? This is a precedent for these audits.

I would like these audits to be tabled in committee before the seven and a half hours have elapsed. That's my second request: I'd like those audits of MGS, the Ontario internal audit division, which cost \$5,700.

The most problematic thing for the opposition is to get to the truth or the substance. The Premier, in question

period, seems to be bob and weave like a bobble on the end of a fishing line. It's unbelievable, how well he gets away with it. It's unbelievable.

This is like a barrier, Minister. This is an artificial barrier, where you've trained these—and I hate to—this is meant for the minister. He's the one who is in charge. By any other term, these are taxes. If I have to be charged \$9,000, guess who's paying? The taxpayer. So it's a tax. Everything you do there is raising taxes.

I'm going to spend a little less time on that. I think I've made my point there.

There's your Internet thing.

The hospitality, travel, all that stuff, for 22 of Ontario's largest agencies: That's another one. In fact, there are about 250 agencies. What's special about these 22? I saw the announcement by the Premier. At that time, it was 21, and the one you've added is Metrolinx. Again, I've checked and there's nothing on there with respect to their disclosures. It's problematic—we'll put it that way.

I want to make sure I don't use all the time on just the rattle here.

**The Chair (Mr. Garfield Dunlop):** You have 20 minutes left.

**Mr. John O'Toole:** Oh, yeah. Well, I've got enough time—

**The Chair (Mr. Garfield Dunlop):** Mr. Miller, you'll have 20 after that.

**Mr. John O'Toole:** —to get down to it here.

I'm just going to ask you to put on the record whether or not you're prepared to respond to some of the requests we make, without the barrier of these charges for the FOI. How do you come to these numbers? While I look for my other notes—I'm asking you.

0940

**Hon. Harinder S. Takhar:** I thought you were still talking.

**Mr. John O'Toole:** No, I'm still looking.

**Hon. Harinder S. Takhar:** First, you need to know that in each ministry there is a person responsible for FOI, and FOI requests are coordinated by MGS. The minister or the minister's office has actually no involvement in the FOI requests. I would like the deputy minister to confirm this and tell you a little bit more about it, how the charges are determined.

The last time the fees for FOI were determined was in 1996, and they haven't changed. So the rates were determined in 1996 under the PCs—right? Those rates have not changed. But I will ask our deputy minister, Ron McKerlie, and maybe his staff to talk about what the process is and how the charges are determined.

**Mr. Ron McKerlie:** Thank you, Minister. Good morning, everyone, and thank you for the opportunity to answer the question.

**The Chair (Mr. Garfield Dunlop):** What's your name?

**Mr. Ron McKerlie:** Sorry. My name is Ron McKerlie and I'm the Deputy Minister of Government Services. I'm also secretary of the Management Board of Cabinet and associate secretary of cabinet.



**The Chair (Mr. Garfield Dunlop):** I just really want to get it for Hansard.

**Mr. Ron McKerlie:** Great. Thank you for the opportunity.

As the minister has said, the fee structure for FOI requests was last updated in 1996 by the government of the day, and since that time the fees have not changed.

Like other FOI legislation across Canada, FIPPA operates on a user-pay principle. Nominal application fees of \$5 and processing fees for the record search, photocopying and preparing the records for release are required to be paid when requesting government records. Fees under FIPPA only capture some of the costs associated with processing the requests. They are not full-cost recovery, particularly given the fact that the fees have not increased for, now, a number of years.

Given the extensive work sometimes required for public servants to complete a request, it's not unreasonable for taxpayers to expect requesters to share some of the financial burden that's incurred by the cost of looking up information.

Further, in the past, the Information and Privacy Commissioner has supported the user-pay principle and observed that some reduction of requests and appeals may result from the elimination of questionable use of the act.

Requesters can seek to have fees waived if payment will cause financial hardship or if the dissemination of the record will benefit public health or safety.

Canadian jurisdictions have varying FOI requests and processing fees. Ontario's current fees are not out of line with those of other jurisdictions.

FIPPA also provides for fee waivers in certain circumstances, such as financial hardship or when the disclosure of records will benefit public health and safety, and each institution under the Freedom of Information and Protection of Privacy Act is responsible for the administration of the act in their organization.

**Mr. John O'Toole:** Very good. I appreciate that. The record's very important. Here's a specific question as well—I want to clarify through the Chair: These don't have to be written. As long as they're recorded here or—

**The Chair (Mr. Garfield Dunlop):** You can do it either way. You can ask the question and we'll ask the ministry staff to clarify—

**Mr. John O'Toole:** This is sort of the next phase, and it's tied to the same thing: Will MGS table for the committee a complete list of all procurement contracts by the ministry before the 7.5 hours of time that you're here expires? Or explain why not. These are all the contracts that have been extended. This is the forum to be asking for it because they are buried in the estimates, the future ones, and as far as I'm concerned, the past ones are just as important.

**The Chair (Mr. Garfield Dunlop):** I think, Mr. O'Toole, we should make sure—we have had times when the ministry before us could not provide those answers in that particular time.

**Mr. John O'Toole:** That's fine as well.

**The Chair (Mr. Garfield Dunlop):** It may be a few days later.

**Mr. John O'Toole:** I have another one. There is precedence for the audits I talked about before, and those are the ones I'm trying to get to, the contracts. Hopefully they'll be included—the ones I mentioned earlier, Cancer Care Ontario with Blue Pebble, those contracts as well.

Now, on the LHIN issue, we're looking for the contract extensions. Recent revelations have revealed that the Ontario LHINs are not immune to controversy. I have a little article on that. The LHIN contract extensions do not have to be tendered. Therefore, will the minister table a list of consulting businesses that are receiving untendered contract extensions? I put this in the context of the Premier's June edict that everything would be posted and extended.

I'm moving on to the accountability for expenses, and back to what I said before I asked for the FOI description. The travel, meal and hospitality expense directive was announced on April 1, and it requires that 22 of Ontario's largest agencies disclose expense information. This number makes up a small portion of the agencies, boards and commissions that use public funding. I think there are 250 such agencies. In September—the Public Sector Expenses Review Act, 2009—the Premier committed to publicly disclose the expenses of senior management of the OPS. Another question: Will the minister table a list of who will be included in this definition of senior management? It's a very vague term. In fact, there's more on that when you look at the budget commitment of the hiring freeze. So is it a minister, deputy minister or assistant deputy minister? Was there any criteria that determined which agencies would be included in the 22, out of the 250? Does the minister have any evidence to justify that the other hundreds of agencies, boards and commissions are using expense accounts and tax dollars in a responsible manner?

This is the only time I personally can get these on the record, and I'll be referring to them if I don't get questions in the House. Will the minister post the contracts of the agencies, boards and commissions online? There's none of this stuff, the FOI stuff. What's the problem with posting it? You gave me such a glowing report on the IT sector, ServiceOntario, one stop for everything from birth registration to property transfers. We're asking here: Will the legitimate contracts for business be posted? It's no different than Lisa MacLeod's bill that we debated last Thursday. In your comments, you acted like this stuff was all available. Why is the minister publishing expense information for only 22 agencies, only after June? Why not for the entire fiscal year? In other words, you're not giving us a full annualized picture of the expenditures. So, will the minister table the expense information from the 22 agencies for the entire fiscal year of 2009-10? There is precedence for this request in light of numerous violations made public. Will the minister adopt the accountability reforms proposed by Tim Hudak? As I said, we mentioned that before, truth in government. Will the minister table the expenses of the Deputy Minister of

Government Services, the Deputy Minister and CEO of ServiceOntario—the two gentlemen with you there—the chair of the Licence Appeal Tribunal and the chair of the Advertising Review Board?

You know, when I look at the overall thing, there's \$1 million a day being spent on consultants.

*Interjection.*

**Mr. John O'Toole:** Well, we like to round it off to \$1 million a day. It's probably higher than that and growing. I suspect that the real—

**Mr. Bill Mauro:** A 50% reduction.

**Mr. John O'Toole:** That's what he said in his presentation, but, I hate to say, maybe it's being reported differently.

Now, another one that I think is quite important here—I'm moving on to a different area—is ServiceOntario and the private issuers network transfer. All members of whatever stripe, I'm sure, had difficulties during that period when that announcement was made. I may even get to asking a question here in the open forum. What was the cost of the transition? I think it was \$6 million. At least, that's the number we're given, or at least that we've been able to find out. Did each private issuers network sign and receive the same contract in regard to the closure of the office? In fact, it's my understanding they were non-disclosure. I think it was your deputy sitting on your side there—Bob Stark was the name I heard most of the time—who actually went around Ontario and delivered the bad news. Now remember, I have a different job than the minister. My job is the opposite to his, really. I don't feel that comfortable, sometimes, suggesting that—this is under the direction of the minister, and if it's screwed up, it's his fault, not yours.

0950

What was the cost of the IT upgrades for the private issuers network in ServiceOntario? It's very hard to isolate these because some of the offices, I gather—this is a short question—there are still private ones operating. Is the long run that they end up all being ServiceOntario? Is that the goal? You said in your presentation that everybody's going to be within 10 minutes of one of these. Why aren't they online? Why don't they go to the library and log on. Even if they haven't got any money for an IT connection, go to the library. Why isn't each member's office accessible to the public? We could have a little terminal there and let them do their thing. We're already hooked up, and you're paying for it. So those are a couple of questions there. When I look at the ServiceOntario office, it's great. What are the hours of operation?

The private issuers network: You can't get in on Saturday morning, or you line up for most of the day. Open for business means seven days a week, 24/7. If you haven't got 24/7, you have to have some other alternative, where they can log in and do the stuff. People standing in line is 1950s-style service—unacceptable. I think there have been improvements; this isn't a generalization here. Is that the goal? You're doing it with birth certificates, and you could be issuing birth certificates to

people. Are they all being registered? How about the people who aren't IT literate? Are they registering them?

Whatever. Go ahead. You've got a couple of minutes.

**Hon. Harinder S. Takhar:** Okay, let me just—

**The Chair (Mr. Garfield Dunlop):** You're going to have 30 minutes to respond at the end to some of these questions that have been raised.

**Hon. Harinder S. Takhar:** If I can get the questions, then it will be easy.

**The Chair (Mr. Garfield Dunlop):** If you can answer now, fine, but you will also have 30 minutes to wrap up at the end, after—

**Hon. Harinder S. Takhar:** I think, Mr. Chair, it will be helpful—I know the member has asked a lot of questions. Some of those are very good and interesting questions. If you can give us a list of those questions and the requests that are being made so that we know whether it is feasible to provide the information to the member or not in the time frame he's asking—or even afterwards.

But let me just say, I think the main purpose—I will start from the back. The main purpose of what we call ServiceOntario is to modernize and streamline the integration of our service network. Two thirds of them are private and one third of them are government offices. We have no intention of changing them at this point in time. The idea is to provide more services under one group, whether it's a private issuers network or a government network.

Let me tell you what it is going to do. It's not either/or—that everybody has to go to the ServiceOntario networks. We're going to provide information online, and we're committed to doing that. We are also going to provide information through kiosks, so there will be options available to people. If they want to go online, they can do some of the services online. If they want to go to the kiosk, they can do it at the kiosk. Or they can actually physically go into these offices. But the idea is to really provide more services under one roof so that people can get all services.

For example, right now, health cards are being provided in 27 OHIP offices. Once we fully integrate it, they will be provided in 300 offices. In rural communities, health cards are now being provided in two locations. When we fully integrate it, they will be provided in 163 locations. In northern communities, health card services are now being provided in six locations, and when fully integrated, they will be in 67 ServiceOntario centres. In the southeast, the health card services will go from four to 60 locations. There is a lot more work that needs to be done, but that's the direction in which we are moving. People can go to one place—which they can identify through ServiceOntario—where they can get the service and do that.

You have asked another question to which I am quite comfortable giving you the answer at this point. You said, "You have a website, and you were going to post the expenses of 22 agencies and other expenses on the website." Those expenses are effective from April 1, incurred from April 1. This means that if anybody spends



any money on expenses from April 1, when those expenses are approved and actually have gone through the Integrity Commissioner, and the Integrity Commissioner is satisfied and they come back, they will be posted. It's going to take a little bit of time, but all those expenses of 22 agencies, senior management, five major claimants, ministers' offices and political staff will be on the website.

**Mr. John O'Toole:** I just want to start with a small nail in a piece of wood as opposed to a whole bunch of things. When can I expect to see the first update? That's one idea of the transparency—if you're going to say it, and you say it in the House: "We've done this, and we've done that." In fact, you're going to; you haven't actually done it. When can I expect—a date—a deliverable? It's now May. It'll soon be June. It'll soon be summer and the people will have all gone to sleep again; they don't pay any attention to this stuff, and you'll have missed another year of accountability. When can I expect something? On April 1, there are already people who have been to Europe.

**Hon. Harinder S. Takhar:** Let me answer this question. I think it's a good question, so I have no problem providing the answer. My understanding is that most of the expenses approved by the Integrity Commissioner will be up on the system by the end of May.

Let me also say that I met with your leader from the opposition and had this conversation with him too. I also requested from him the expenses of the Leader of the Opposition, as the ministers should also be posted. I'm not sure that is done, either, so I think there is a little bit of work—

**Mr. John O'Toole:** I think you had agreement in the House that day.

**Hon. Harinder S. Takhar:** Work needs to be done, I think, on all sides, but we are all committed to doing it. I think the public needs these answers, and this information should be readily available. I will ask my deputy minister here. If there's any more information, he can shed light on it.

**Mr. Ron McKerlie:** Thank you very much—

**The Chair (Mr. Garfield Dunlop):** There are just two minutes left in these 30 minutes.

**Mr. John O'Toole:** I'll slip one more in here. On this whole private issuers network thing, if you could disclose here—you consolidated 34 centres, it's my understanding, under the ServiceOntario definition. Who got the contract to provide the technology and the connectivity? Was it tendered? That's the question: Who got the contract, and was it tendered?

**Hon. Harinder S. Takhar:** Okay, let me ask—

**Mr. Ron McKerlie:** Which question am I answering?

**Hon. Harinder S. Takhar:** You answer the first question; then I'll ask the other deputy to answer the second question.

**Mr. Ron McKerlie:** Just for clarity on the question around the expenses that would be posted under the Public Sector Expenses Review Act, 2009: The process is that as people incur expenses after April 1, once they

submit an expense claim and that claim is approved, it would then go for review, as appropriate, to the Integrity Commissioner, and subsequently for payment. Once that happens, it goes to a bit of a manual process right now to actually post that information on the website.

It's hard to say what the first date would be in terms of when you would see the first expenses, but by the end of May would be a reasonable expectation that there would be expenses up, and quarterly thereafter. You will see expenses up there every quarter, and you'll be able to look at all the expenses that had been incurred, processed, paid, reviewed and posted.

**The Chair (Mr. Garfield Dunlop):** You've just got about 30 seconds left here. Is there any quick comment that you'd like to make?

**Mr. John O'Toole:** No, just the other part of the question that's left. I guess I'll just wait for it. That's the IT, hardware, software and infrastructure service to combine those new ServiceOntario offices. Is there a price, an average per office, or is there a template you're using?

**Mr. Bob Stark:** I think, first of all, it's important to get a little bit of history here. ServiceOntario: We've followed the pioneering thoughts of others earlier on and have brought together, as the minister mentioned, a number of different services from various ministries into ServiceOntario. What we've ended up with as a result of that is unique individual delivery channels for driver and vehicle licensing, for health cards and so on.

When we look at it on an integrated basis, we have more capacity in those offices than we need to deliver the business. We have been through a process of consolidation. As you mentioned, we've closed a number of offices, about 59 that are privately run and about 11 that are government-run, to try to get the capacity better aligned with what our customer needs are.

In the process, we've ended up with about two thirds of our network being run by private individuals. They are all on a consistent standard contract, so there's no variability in terms of compensation between any of those privately run offices. Each of the offices that were closed had a template contract that was part of the termination that they agreed to. The individual termination amounts are individual by location, depending upon history of that location and so on.

1000

**The Chair (Mr. Garfield Dunlop):** Okay, that's good. Thank you very much, and perhaps we can get those questions in a little more of a formatted form for the minister. There were a lot of questions in there.

**Mr. John O'Toole:** We'll isolate the questions.

**The Chair (Mr. Garfield Dunlop):** Now to the third party. Mr. Miller, you have the next 20 minutes.

**Mr. Paul Miller:** Good morning, gentlemen, and good morning, Minister. There's nothing like being grilled on the hot seat, eh?

My first line of questioning will be in reference to your procurement policy. First of all, can you outline in



some detail the basic principles behind government procurement policy?

**Hon. Harinder S. Takhar:** Mr. Chair, just give me a minute and I'll get to that.

Let me just start with this: The basic purpose of the procurement policy is to get the best value for dollars for Ontario residents. That's the basic principle. But we also want to make sure that we are transparent and accountable on that front, and that it also provides the best value for the services that we require. I'm going to ask the deputy minister to talk a little bit more about how we go about making sure that we can get the best value and that our process is open, fair and competitive.

We do business with about 50,000 suppliers every year, and approximately 90% of those suppliers actually are the small and medium-sized businesses.

**Mr. Paul Miller:** In your response, could you also include what kind of tendering process you use in reference to—the same as a municipality would do, and the lowest bidder, the quality of work. Do you examine the end result? Is there a comparative analysis done with the end result with the initial tender? Do they live up to your expectations?

**Mr. Ron McKelrie:** I will be inviting Marian Macdonald, who is the assistant deputy minister of supply chain management—Marian and her team would be the ones who would have day-to-day responsibility for procurement. I'll let her answer some of the more detailed questions.

Just as a start, though, to build on what the minister said, the government of Ontario would, and does, continually update its procurement policy framework to achieve better economy effectiveness, efficiency and ethical behaviour in procurement.

In the past year, updates requiring environmental certification for commodities like paper and greater accountability in the acquisition of consulting services, for example, have been introduced. The Ontario government's procurement policies support doing business with small and medium-sized businesses in Ontario. The minister spoke to the fact that we currently have about 50,000 suppliers we do business with, and about 95% of those are located in Ontario.

There are two sides to procurement. In terms of education and support, it's both helping the vendor community understand how to do business with Ontario as well as ensuring that the people who do procurement within government or within our agencies, boards and commissions would have the education required to ensure that they can properly follow practices and guidelines.

We've done a number of things on both sides. A ministers' industry forum was held in Sudbury in December of last year and in Ottawa last month where vendors discussed their procurement issues and experiences with the Minister of Government Services. In 2009, the Ontario government participated in 38 different vendor outreach and education events right across Ontario. The government of Ontario has also hosted three Supply

Ontario events that showcased procurement initiatives and provided vendors and the public with an important opportunity to meet each other and learn about what it takes to do business with the government of Ontario. We had over 1,400 vendors who participated in the Supply Ontario events in Toronto, Sudbury and Ottawa, and arrangements are under way to hold a fourth one in London later this year.

We are using a technology to talk to vendors who might not be able to attend one of our sessions, so in April we had 400 vendors online in what we call a webinar all about the vendor-of-record process, to help them understand that process and what it takes to become a vendor of record. More webinars are planned for the future.

I would turn it over to Marian to answer your specific questions regarding the vendor-of-record process.

**Ms. Marian Macdonald:** Thank you, Deputy. My name is Marian Macdonald, assistant deputy minister of supply chain management. Your question was specifically around our procurement processes. Our procurement processes are governed by a number of obligations imposed by Canadian commercial law and our trade agreement obligations but also government policies and legislation and procurement best practices.

Specifically, you asked about how we would award a contract—is it to the lowest-priced vendor? Our procurement policies require that we award a competitive contract to the highest-ranked vendor after considering number of factors. Price could be one such factor, and is one such factor, but also the experience of the vendor, their qualifications to perform the work, their past experience in comparable-sized contracts for the provisions of goods and services, their ability to meet the requirements that we set forward in the procurement documents. These are all rated criteria and they are ranked on a scale that we outline in the procurement documents, and at the end of that process one vendor will generally emerge as the highest-ranked vendor in terms of the total number of points that have been allocated to them against all of those criteria.

The procurement directive doesn't require that any one criterion be weighted in a certain manner in the process, but it requires that the ministries allow the maximal justifiable weighting. So if we are taking delivery of standard goods, we would tend to rely predominantly on price as being the factor that is weighted the most, but if a ministry like the Ministry of Transportation is hiring engineers to do complex road construction or work, we would rely probably more on the experience of the vendors that we're looking for. Again, as long as it's a maximal justifiable weighting score, it's in compliance with our procurement policy.

**Mr. Paul Miller:** All right. I understand that you would want quality for your dollar and I understand that you would want all the different levels of criteria met by the potential vendor. However, if there's no competition out there that gets the ability to prove their ability, and a new company or anyone else comes forward that feels

they can do it cheaper and as well, doesn't it create a bit of a monopoly if you continue to go back to the same proven vendor? Does that not create a problem for new businesses or people who might be able to do it as well or better, but haven't had the opportunity? It's similar to a new doctor, an apprentice who's finished his apprenticeship who may have creative ideas or new ways to do things. Does the ministry look at those too as part of your criteria for getting a tender?

**Hon. Harinder S. Takhar:** Let me start this and I think then maybe the officials can pick it up.

Actually, we have been very proactive on this front. The deputy minister talked about having vendor forums. We go out and then invite vendors to come in. We say, "These are the kinds of services we are looking for. These are the kinds of goods we are looking for. What kind of ideas or suggestions do you have to fulfill those voids?" We have gone out and done vendor fairs. Not only that, but we have encouraged people to come up with ideas that can reduce costs. If you have a new vendor who has never done business with us, we say we will even do some experiments and give you some tests to provide a reference point for you to sell to the other businesses as well. Provided those goods are suitable from the specification point of view, the quality point of view, if you have never done business with us, we will do demonstration projects.

We are looking for ideas all the time and we are going out to the vendors and saying, "Give us some of those ideas."

1010

**Mr. Paul Miller:** So what you're saying to me is that, in your venues, you actually teach them what's required to do business with Ontario—

**Hon. Harinder S. Takhar:** That's right.

**Mr. Paul Miller:** —and you're not limiting it to and you're not creating monopolies for, I don't know, a road company doing roads or bridges or whatever is being done. So you are open for new ideas, fresh ideas, technology that may challenge the old way of doing things; you don't rule them out in your process. Is that what you're telling me?

**Hon. Harinder S. Takhar:** Yes. Not only that, but we are also looking for new technologies. When somebody comes with a new technology that has not been tested before, then we give it to the Ministry of Research and Innovation so they can check that it will actually do the job that they say it will do.

The idea behind that is that if a new technology comes in and they don't have any customers yet and we can be a customer, it becomes a reference point for them, not only to sell to the government but also to sell to others as well.

**Mr. Paul Miller:** Well, my experience on municipal council was that a lot of companies would feel that there was favouritism or that they would go back to the proven person whom they had the least number of complaints about, whether it was patching holes in a street or doing work at the waterworks or wherever they were. My concern would be that you would be open to new vendors

who have technology that might not be familiar to Ontario but that has worked in other parts of the world, and that you would be open to examining it through the other ministry of technology. Would that be a fair question?

**Hon. Harinder S. Takhar:** Yes. I think there are two issues on that front. One issue is that we are saying, "If there's a new technology, we will give it to the Ministry of Research and Innovation so they can look at it." But we are also working with the other ministries to say, "These are some of the ideas that came to our attention. Can you see if there's an application for you in those ministries?"

But I also want to say to you on this as well that we are doing vendor debriefing. If the vendor is not successful, then we want to tell them why they're not successful so that the next time, when they bid on the same job, they at least know what some of the deficiencies were and how they can correct them.

**Mr. Paul Miller:** All right. Would you be willing to share with me the information on, for example, whatever procurement or tenders you've put out to see if there's any repetition to the same companies when there are other companies in Ontario that have the ability to do the same work and have a proven record, whether it be—not necessarily in Ontario; it could be a different province, but they've done the work. I want to know if you have any records on if there has been a continuous—because we do get occasional complaints about favouritism and people continually getting renewed contracts on government situations. I'd be interested to know if there has been, over a 10-year period or something, the same company awarded the same work every summer or whatever. That would be interesting to know.

Moving on, I see on a government website that, "As of early 2009, OntarioBuys had helped establish or expand nine shared service organizations for Ontario's health care and education sectors. Over 40 leading practice projects had received funding—supporting BPS supply chain and back-office transformation throughout Ontario."

First of all—would you like me to repeat it? Is it okay? You caught it? Do you want me to repeat that?

**Hon. Harinder S. Takhar:** Yes, repeat it.

**Mr. Paul Miller:** A government website says, "As of early 2009, OntarioBuys had helped establish or expand nine shared service organizations for Ontario's health care and education sectors. Over 40 leading practice projects had received funding—supporting BPS supply chain and back-office transformation throughout Ontario."

Number one, what role does OntarioBuys play in government procurement practices? Please, if you could, describe in detail the nine shared service organizations that are referred to in this excerpt.

**Hon. Harinder S. Takhar:** OntarioBuys, I think, is under the Ministry of Finance.

**Mr. Ron McKerlie:** That's correct.

**Hon. Harinder S. Takhar:** But maybe the deputy minister can shed some light for you on why it's there and who looks after it.



**Mr. Ron McKerlie:** The Ministry of Finance set up OntarioBuys to try to provide a financial incentive primarily to different buying groups in the broader public sector, so outside of the Ontario public service, to co-operate together, to pool their buying to try to get better aggregate deals by volume buying. We don't have a lot of details in the Ministry of Government Services, but the Minister of Finance, who I believe is coming to estimates next, after Revenue and after us, will have the opportunity, I'm sure, to answer that question more fully.

**Mr. Paul Miller:** I'm not sure I'm happy with that response. Ontario Buys is part of your overall picture. It's involved in other ministries, I agree, but your role and your part in it probably are a significant piece of that puzzle, for the amount of procurement that goes out for the province. I hoped that you would have had some answers on the nine shared service groups. It appears you're going to do further research and get back to me on that. Is that fair?

**Hon. Harinder S. Takhar:** We can only answer the questions that relate to MGS. If this responsibility is not under MGS, we will not be able to provide those answers to you.

**Mr. Paul Miller:** With all due respect, I think this does relate to it.

Okay, question two: I'd like to hear more about how this plays out on the ground, and how exactly this plays out on the health and education sectors as well, through your procurement policy.

*Interjections.*

**Mr. Paul Miller:** Earlier I mentioned the leading practice projects that received funding supporting BPS supply chain and back-office transformation through Ontario. Then I asked about the nine shared services situation. Now I'm asking about how it overlaps onto the health and education sectors through procurement.

**Hon. Harinder S. Takhar:** The shared services that fall under the MGS are the backroom operations of the government. That's what we are responsible for. What you are indicating is the shared services for the broader public sector. That really doesn't fall under us; it falls under the Ministry of Finance.

**Mr. Paul Miller:** With due respect, Minister, I'm trying to find out what role your ministry plays in the overall picture, but you're saying that it's someone else's responsibility.

**Hon. Harinder S. Takhar:** What I'm telling you is that what our ministry does is develop overall policies for procurement that relate to the government of Ontario. That's what we do.

**Mr. Paul Miller:** Aren't you part of the government of Ontario?

**Hon. Harinder S. Takhar:** Yes, we're part of the government of Ontario. These are the policies we develop. Then we give them to the other ministries to follow, and they follow the directives. Some of the procurement by the other ministries is done on their own.

**Mr. Ron McKerlie:** If I could, maybe I can talk about our role in support of others, other than the Ontario

public service directly, if that's helpful in answering your question.

We have a significant role in a couple of areas. One, MGS is responsible, through the Management Board of Cabinet, for the procurement directive, so developing the directive that would apply, for example, to many of our agencies, boards and commissions through a memorandum of understanding. We would work with the ministries and, through them, with the agencies to ensure they understand that they are captured by the Management Board of Cabinet procurement directive. That would be the first thing. Hospitals or schools, for example, wouldn't be directly captured by that. They're not considered agencies. But it does go out more broadly because it would capture agencies like the LCBO, for example, OLG and others. That's the first thing.

The second thing is, we provide education and support, either directly through the ministries or to the ministry staff who do procurements. We have supported them, for example, over the last year on 1,200 different procurements that they would have done. We provide support and help and training in terms of what an open, transparent procurement looks like. Occasionally, we get asked to provide that sort of support and help outside of the ministries—into agencies, for example. I can't think of a situation in which we would have been invited out to a school board or a hospital to provide that kind of education and help. Those entities are responsible for their own procurement, so they would have their own procurement processes and officers. To the best of my knowledge, we wouldn't get directly involved in the procurement that they would do.

**The Chair (Mr. Garfield Dunlop):** You've just got a minute or so, Paul.

**Mr. Paul Miller:** I'm a little confused by that reply. If you're giving training or showing them how to do procurement, and you have a memorandum of agreement with these other agencies that you kind of give them guidelines to follow, you wouldn't do any follow-up to see if they are doing the guidelines properly, or if they're getting themselves into trouble because they haven't followed your advice? Do you have quarterly or yearly meetings with these other nine shared service organizations that I mentioned earlier? I would think that there would be some follow-up to see that your advice was working. To me, it's like, "This is what you do. See you later. You're on your own." I'm not quite sure that's kosher.

**Mr. Ron McKerlie:** The advice we would give, if I can pick up on your question, would be to the agencies and boards that are captured by the memorandum of understanding and that are to follow our procurement directives. You talked about education and health care. Those sectors, if you're talking about schools and hospitals, are outside of the Management Board of Cabinet procurement directive. They have their own. We don't provide support directly to them. We provide support to the ministries and, through the ministries, to



some of their agencies that are covered by the memorandums of understanding.

**Mr. Paul Miller:** Why is—are we done?

**The Chair (Mr. Garfield Dunlop):** I think we'll recess there for the time being, and we'll come back here right around 3:45 or after routine proceedings.

Thank you very much, everyone. We'll see you a little later on here, at 3:45.

*The committee recessed from 1021 to 1548.*

**The Chair (Mr. Garfield Dunlop):** We'll call the meeting back to order. Minister and staff from the Ministry of Government Services, thank you very much for being here again this afternoon.

I'd like to begin by allowing Mr. Miller from the third party the remaining 10 minutes of his leadoff.

**Mr. Paul Miller:** Mr. Chair, could you make me aware of when I have a minute to go because I have to run upstairs to say something in the House. If you could give me a minute's warning so I'll know.

**The Chair (Mr. Garfield Dunlop):** Okay. You can start right now.

**Mr. Paul Miller:** My next line of questioning to the ministry would be: As the minister is responsible for freedom of information and privacy, I'd like to ask you a few questions stemming from the 2009 annual report today by the privacy commissioner.

According to the commissioner, "The infrastructure supporting the smart grid will be capable of informing consumers of their hourly and real-time energy use, and in the future, at the individual appliance level ... In a future smart grid scenario that does not build in privacy," sensitive "details of hydro customers' lives could be easily discerned by data automatically fed by the appliances and other devices to the companies providing electric power..." Minister, what steps are you planning to take to ensure that Ontario residents' privacy is maintained in the era of the smart grid?

**Hon. Harinder S. Takhar:** First of all, I really want to say thanks to the privacy commissioner for the report. Let me just add that I think this matter that the member is asking about relates to both the Ministry of Energy and Infrastructure and the municipalities that will be implementing smart meters. This is not an area that falls under the responsibility of the MGS.

As I indicated in the morning, every ministry has their own freedom-of-information officer. Our responsibility in the MGS is to coordinate some of the activities. Actually, the minister's office or the minister doesn't really get involved in these kinds of issues.

**Mr. Paul Miller:** With all due respect, once again, Minister, I do believe that it is partially the involvement of the Ministry of Government Services, because I think that government services would take in any other provisions under any other guidelines of any other ministry that can overlap. Ministries regularly overlap and sometimes swing their responsibilities to one another if they're not happy with the question. I personally think, in my humble opinion, that it is part of your mandate, but we will go on to the next question anyway.

Among the other recommendations in her annual report, the commissioner is asking the government to broaden the scope of the province's freedom-of-information legislation to include hospitals and CASs. Minister, once again, what plans does the ministry have to include hospitals and CASs in freedom of information?

**Hon. Harinder S. Takhar:** Once again, I think this report was released today. We will give due consideration to all the recommendations that the privacy commissioner has made. In due time, the government will take into consideration each and every recommendation and see how we can further act on some of the recommendations that have been made.

**Mr. Paul Miller:** Okay. I guess that's kind of an answer; I'm not sure.

Today, the commissioner also called for amendments to the Personal Health Information Protection Act to protect personal health records that are abandoned by health professionals. According to the commissioner, "abandoned health records ... pose significant risks to the privacy of patients and the delivery of effective health care."

"In recent years, my office has investigated numerous instances of personal health information records that have been abandoned by persons or organizations in the health care field." The reason I say that, Minister, is because, as you so nicely put it earlier today, you're in charge of birth certificates, you're in charge of all these other certifications throughout our province. I'm quite sure that personal records handled by institutions would fall under your auspice.

"PHIPA has proven ineffective in situations where the custodian is unwilling or unable to meet his or her obligations upon the cessation of their practice, or simply cannot be found." Minister, typically, personal health records are abandoned "when a health care professional ceases to practice, either because of retirement, moving out of the province, or because he or she has been deemed unfit to practice by their regulatory body."

The commissioner cites solutions to this problem that have been developed in other jurisdictions, including Alberta and California. What plans do you have to deal with this problem? Trust me, I've had more than one resident come in, Minister, and their doctor has either deceased or moved, and they can't get their medical records. They've lost their entire record system. It obviously has a negative impact on the treatments they may receive. Sometimes the patients, due to age, have forgotten what the doctors had recommended over the years and cannot divulge that to the attending physician because they may have Alzheimer's or there could be other situations where they had no access. There have been some wrong diagnostic things done, wrong medications given to patients, where it has caused, in some cases, fatalities. What is your ministry doing to stop these situations from reoccurring?

**Hon. Harinder S. Takhar:** Again, I actually really want to thank the member for his interest in protecting personal health information. I want to show him that our

government is absolutely committed to protecting personal health information, although this issue falls under the Ministry of Health and Long-Term Care. Again, it's not under my ministry, but I will refer to my DM, if he has any other additional information from the information technology point of view that he can share with you.

**Mr. Ron McKerlie:** Perhaps, not specifically to the last question, but I know that in terms of hospitals and the recommendation from the Information and Privacy Commissioner, it is a complex area. We understand that any consideration of extending PHIPA coverage to administrative records in hospitals would require an in-depth consultation with affected stakeholders, including the Ontario Hospital Association. So the report has just been released today and we'll take a look at it.

**Mr. Paul Miller:** Well, I appreciate your interest, but I also have a concern. As you know, in a lot of situations, the government says that it's the other ministry's job or they pass the buck—so people like to call it, passing the buck.

I'll give you an example of what happens in this situation. As far as pensions go that we're dealing with in the House right now, I've been told that some fall under the Bankruptcy and Insolvency Act that's federal, yet there are jurisdictions that the province takes over. In fact, our province manages 92% of the pension plans in Ontario. So there is some overlap and there is some dual legislation that sometimes intercedes and creates chaos.

I would think that if you are handing out birth certificates or whatever you're servicing, licensing, whatever you're doing, that information would be a big part of your mandate, especially personal information. You're creating these kiosks throughout the province, you're very proud of the fact that you are going to be within a 10-mile radius, but some of these records are very critical. I think that maybe your ministry, in my humble opinion, should work alongside the health ministry to either improve their situation or work together to form another form of delivery that would be suitable to protect these people, these vulnerable citizens who are in a position where they can't find their records or don't know where they are; they don't know what ministry has them and who's responsible for them.

So there's nothing wrong with moving ahead and expanding either ministry's responsibility or connecting together and—either giving it to one or the other. But to say it's not under your auspice, I have a tendency to disagree.

Among other key issues the commissioner raises in her annual report is the privacy by design.

"Privacy by design is a concept developed" at the IPC "back in the 1990s that has been widely adopted globally by a growing number of organizations and jurisdictions. It prescribes that privacy be embedded directly"—now, here we go, Minister; here's exactly what I'm talking about. "It prescribes that privacy be embedded directly into the design and operation," of an organization, "not only of technology, but also of business processes and networked infrastructure."

**The Chair (Mr. Garfield Dunlop):** A minute and a half left.

**Mr. Paul Miller:** Thank you.

"Instead of treating privacy as an afterthought—'bolting it on after the fact'—privacy by design is proactive and preventative in nature—an increasingly effective approach in today's world of increasingly interconnected technologies and extensive data collection."

So that falls right in line; it dovetails right into what I was trying to get across to you. I'm hoping that you'll look into this and try to improve the record situations of the sometimes elderly or even young people in this province.

Thank you, Mr. Chairman.

**The Chair (Mr. Garfield Dunlop):** Do you have any comments?

**Hon. Harinder S. Takhar:** Yes, Mr. Chair. I just wanted to say that this report was released today. We are going to look at each and every recommendation. Our government will look at each and every recommendation, and wherever we would need to move on the areas in order to protect the privacy of the citizens, our government is absolutely committed to do it. We will work very closely and take your input into consideration.

**Mr. Paul Miller:** Thank you, Minister.

**The Chair (Mr. Garfield Dunlop):** Minister, you now have 30 minutes to respond to any of the comments made this morning, or in the last 10 minutes. If you'd like to use any of that time, you could use all 30 minutes, and if you wish not to use it, we immediately go back to 20-minute rotations.

**Hon. Harinder S. Takhar:** Actually, I am going to use the 30 minutes, because I'm sure my deputy ministers are very eager to give some input on the comments that were made this morning.

I gather from this morning that the areas of interest were ServiceOntario, information technology, procurement, consulting services, accountability, Ontario Shared Services and, maybe this afternoon, the newly released report as well by the privacy commissioner. Let me just take each of those areas one at a time and try to address some of the issues that were raised this morning and also maybe try to highlight some of the things that we have done in those areas.

I'm going to start with ServiceOntario. As the Ontario government's single gateway to government information and transaction services, ServiceOntario is making it easier for individuals and businesses by offering access to a wide range of services through multiple channels: online, in person, at kiosks and by telephone. So we are using multiple channels. Most driver, vehicle, and routine health card services as well as other services will be available under one roof.

1600

When the initiative is fully implemented by the end of the year, availability of most driver and vehicle licensing services will increase to almost 300 centres across Ontario. By the end of this year, close to 95% of all Ontarians will be able to go within 10 kilometres to



integrated ServiceOntario centres which offer both driver and vehicle services and routine health card services.

Furthermore, ServiceOntario has transformed government service delivery by being the first in North America to provide a money-back guarantee for public services within a set period of time.

ServiceOntario is also improving services for individuals. In 2009, ServiceOntario completed a province-wide implementation of the fully electronic newborn registration service, extending the service to new parents and all birthing facilities across Ontario. All births, including home births, can now be registered online.

In 2009, ServiceOntario launched an online research tool through its website to provide information about government services, locations and kiosks. You can find that on [www.serviceontario.ca](http://www.serviceontario.ca). In addition, an online appointment-booking service was integrated. This is in addition so that you can go on the Internet as well to access services. It was integrated with the service location finder so customers can book appointments at select locations, view maps, get directions and find location details. ServiceOntario received a Showcase Ontario 2009 award for merit for both the service location finder and online appointment-booking service initiatives.

ServiceOntario also enhanced customer service by improving its automation of documents in all 54 land registry offices, province-wide, in May 2009.

As of February 2010, BizPaL, an online service that allows entrepreneurs to generate a customized list of permits and licences they require from all levels of government to start or expand a business, was available. Currently, 76.8% of Ontarians can use BizPaL in their municipal areas, and the number of local governments adding their business permits and licence information to BizPaL is increasing each year.

As part of the three-year Open for Business project, MGS launched a business info line contact centre as well. The contact centre provides information and referral services to the public. Callers can access multilingual services and reach several ministries and program areas using the easy-to-navigate business info line integrated voice response system.

The Ministry of Revenue and the Ministry of Labour were successfully integrated into the business directory, enabling them to utilize the benefits of a single business number, a unique identifier for business that can be shared across government programs that are part of the business directory community. This is a solution that allows for the sharing of business information between program areas. Where permitted, it improves data integrity and simplifies business-to-government interactions, as business owners will eventually be recognized across various government program areas by the single business number instead of different numbers for every program. ServiceOntario received a Showcase award of merit for the single business number project in 2009.

Let me just talk a little bit about the information systems area.

The corporate I&IT branch manages and delivers I and IT services across the Ontario government. This includes more than 70,000 desktops, BlackBerry's, laptops and printers; 353 websites; and e-mailboxes, the largest email system in Canada. I&IT continues to modernize key government IT applications which are near the end of their useful technological life. The major application portfolio strategy, MAPS, is modernizing government applications and ensuring the continued delivery of critical services. MAPS had addressed 32 at-risk legacy systems as of March of this year. The government has a study to help drive significant savings in information and information technology. I&IT spending continues to be managed downward, from 10.1% of the provincial government direct-spend, excluding transfer payments and debt interest, in 2001-02 to 6.6% in 2008-09. As a result of our study, we have removed \$100 million in base funding from budgets while at the same time ensuring there was no service reduction to staff or citizens.

More savings were achieved through four major infrastructure consolidation initiatives, and those four are enterprise email, service and data centre consolidation, desktop management, and service management. As a result, the Ontario public service went from eight email systems to one; a 15% reduction in the 6,000 service fleet; and eight I&IT service desks to one service desk. These are solid examples of our efforts to manage large-scale consolidation initiatives.

In addition, as recommended by the special task force on large-scale I&IT projects, Management Board of Cabinet is provided with quarterly status updates on large projects to ensure strong oversight. I&IT clusters across the OPS are at work to help make the lives of average Ontarians easier, from automated cheques cut at the Family Responsibility Office to new online services for businesses like BizPaL.

The I&IT organization is making a big difference in terms of our ability to better serve the people of Ontario. I&IT created IT Source in 2009, a modern, mobile workforce of skilled IT professionals who now move from ministry to ministry to support large-scale IT projects and applications and can be deployed to deal with emergency IT-related situations. IT Source is already greatly reducing the need for outside IT consultants in the OPS.

The province also continues to invest in broadband infrastructure so more Ontario citizens who live or work in remote areas can access online government services. Two broadband infrastructure programs move forward, including the Eastern Ontario Wardens' Caucus original network project and building broadband in rural and northern Ontario program for cost-sharing under Industry Canada's broadband Canada program. Under the rural Connections broadband program, there are now 47 approved projects at various stages of completion, representing a commitment of almost \$26 million.

Let me just talk a little bit about HROntario. HROntario is providing the enterprise policies, strategies,



programs and services that enable the OPS to be an employer of first choice and to deliver quality public services. It is providing corporate management policies to ensure an accountable and professional public service. It is promoting OPS transformation and service excellence. HRO has delivered a number of strategies, from the multi-year OPS human resources plan where we are providing professional recruitment services from five new regional recruitment centres and an executive talent search unit, and streamlining the recruitment process, removing barriers and supporting quality hiring outcomes. We are attracting youth and new professionals through outreach activities and a number of employment programs. In 2009-10 we offered a total of 6,000 employment opportunities for youth and new professionals.

HROntario is working with the diversity office to update a number of HR policies to support OPS diversity and inclusion goals. HROntario has implemented a number of initiatives to improve oversight, accountability, transparency and to reaffirm the government's commitment to protect taxpayers' dollars:

- the Public Sector Expenses Review Act, which enables the Integrity Commissioner to review the expenses of executives at 22 of the government's largest agencies;

- launched the public disclosure of expenses website;
- revised the travel, meal and hospitality expenses directive; and

- revised the agency establishment and accountability record as well.

#### 1610

HROntario also promotes OPS transformation and service excellence. It led and supported the implementation of the OPS service directives that require all ministries to develop, publish and improve service standards and place a greater focus on timely, accessible, client-focused service delivery.

To assist professional newcomers to earn valuable Canadian work experience, in 2009-10 the government expanded the OPS internship program for internationally trained individuals to nearly double the number of six-month paid internships across the OPS from 75 to 130 positions. This has been a very, very successful program for us. Ontario is the only province to launch an innovative internship program specifically for professional newcomers. We are proud to be leading in this area.

The newly established labour relations secretariat will have the capacity to analyze internal and external factors that drive collective bargaining outcomes in order to develop comprehensive strategies and provide guidance and advice related to bargaining. It will also provide oversight and strategic advice on OPS and broader public sector collective bargaining.

In 2009-10, the youth and new professionals secretariat in HROntario provided access to approximately 6,000 employment experiences for youth and new professionals through six employment programs, including the internship for internationally trained individuals program launched in October 2009. In addition, secretariat staff

attended approximately 150 outreach events this year, a 9% increase over 2008-09 to increase awareness of the OPS as the employer of first choice.

The Ontario public service was named Canada's best diversity employer for 2008. This created the momentum for a new wave of excellence and recognition for the OPS. In 2009, the OPS was recognized as one of Canada's top 100 employers, one of greater Toronto's top employers, one of Canada's best diversity employers, and one of Canada's top employers for Canadians over 50. In 2010, the OPS was selected as one of Canada's top 100 employers again, one of the GTA's top employers again, one of Canada's best diversity employers and one of Canada's greenest employers.

**Procurement:** On average, Ontario does business with over 50,000 suppliers every year, and approximately 95% of these are located in Ontario. The government's procurement policies help deliver value, innovation and integrity to Ontario and enable the delivery of modern and efficient public service to the citizens of Ontario. The Ontario government's procurement policies ensure that it obtains value for money by using open and fair competitive processes when it acquires goods and services.

Ontario vendors are highly competitive and are routinely selected through a competitive process to supply the Ontario government. Since 2003, this government has introduced many changes to its procurement policies to strengthen transparency and accountability in the procurement process. Most recently, in July 2009 a new procurement directive was approved and communicated across government, reflecting this government's commitment to greater controllership and accountability in the acquisition of consulting services. New rules were also announced that the Ontario government and all its agencies will not pay consultants for any hospitality, incidental and food expenses.

Consulting services are not the only commodity where the government aggregates its spending power to get the best value for taxpayers. MGS manages more than 70 enterprise contracts, variously called vendor of record arrangements, volume licensing agreements and memorandums of understanding. Altogether, we refer to these enterprise contracts as our vendor of record program or VOR program.

The VOR program includes commodities ranging from food and clothing to print technologies to volume agreements with Microsoft and Oracle. The government procures almost \$700 million worth of goods and services annually in this manner. Studies suggest that regional participation ensures participation by small and medium-sized enterprises.

Let me give you some examples of the savings. Some examples of recent savings achieved through the enterprise VOR program are \$56,000 for general office seating, \$394,000 for a travel management company, \$2.2 million in rebates for our purchasing card program and \$8 million in IT task-based consulting.

The supply chain management vision within MGS is also managing the new and innovative Green FIT

program to promote green technologies and products that are created in Ontario.

**Consulting services:** The government has aggressively and successfully reduced the use of consultants. It has reduced the use of consultants from \$656 million in 2001-02 to \$304 million in 2009-10. This is a reduction of \$350 million. We have actively pursued strategies to lower the cost of consultants through the establishment of enterprise vendor of record agreements and programs to reduce the use of consultants in government. Since 2003, 1,415 positions have been approved for conversion to replace work previously done by consultants, resulting in an ongoing annual savings of approximately \$58 million.

The government of Ontario has tightened its policies on the acquisition and use of consulting services to ensure greater accountability and transparency in its procurement policies and processes. These improvements will strengthen public confidence in the prudent stewardship and responsible management of every dollar of public expenditure. Reducing our reliance on consultants will help provide the services Ontarians need in a more cost-effective and efficient way.

**Accountability:** We have demonstrated a strong commitment to transparency and accountability. For instance, our new expense disclosure website, launched on April 1, 2010, is a demonstration of the government's commitment to improving the transparency and accountability of government. In the past, this type of information could only be accessed through a freedom of information request or by reviewing public accounts. Now it is available for all to see.

The government released a revised travel, meal and hospitality expenses directive, effective April 1, which provides stronger and simpler expense rules and implements additional accountability measures to ensure taxpayer dollars are used wisely.

In November 2009, the government passed the Public Sector Expenses Review Act, which gives the Integrity Commissioner the authority to review expense claims of senior officials, appointees and the top five expense claimants in 22 of the largest agencies. Under the newly implemented Public Sector Expenses Review Act, appointees, senior executives and the top five claimants at 22 of Ontario's largest agencies are required to publicly disclose information on expenses. They are now being required to abide by the same rules as ministers, political staff and senior government managers. These initiatives protect the interest of taxpayers and strengthen the government's accountability for these agencies by raising the standard of oversight and by requiring all agencies to adhere to the same rules.

**Compensation structure freeze:** Ontarians value and appreciate the contribution of those who deliver their public service. They also expect those who are paid by tax dollars to do their part to help sustain public services.

In the 2010 budget, released on March 25, the government announced that it will extend the existing freeze of the salaries of the members of provincial Parliament from one to three years; freeze the compen-

sation structure for non-bargaining, critical and Legislative Assembly staff for two years; and freeze the compensation structure of the broader public sector and Ontario public sector for two years for all non-bargaining employees. Over two years, these measures would help direct up to \$750 million towards sustaining schools, hospitals and other public services. This is a balanced and responsible plan that requires employers and employee groups in the public sector to work together and do their part to sustain public services.

**1620**

**The size of the Ontario public service:** The Ontario public service is arguably the most efficient, professional and cost-effective public service in Canada. The OPS makes sure our food and water are safe, makes our communities and workplaces safer, reduces hospital wait times, gives students and teachers the tools they need to succeed, brings jobs and investment into Ontario and delivers key government services. Statistics Canada data show that Ontario has the lowest number of provincial public servants per capita, and is also the lowest in expenditure per capita on general government services in Canada.

On December 2, 2008, the government placed a cap on the size of the Ontario public service and also committed to reducing the size of the Ontario public service by 5% by March 31, 2012. In the first year of this three-year plan, OPS is on target to meet the 5% reduction. With one third of the target met to date, MGS is working with ministries over the coming months to achieve a commitment to the balance of the reduction. We believe in providing top-quality public services.

Let me talk a little bit about Ontario Shared Services. Ontario Shared Services is the Ontario government's enterprise business and employee service provider for back-office administration and supply-chain management services. It provides strategic advice, controllership and cost-effective service delivery in four business areas: financial processing, human resource processing, supply-chain management, and enterprise services. In January 2010, Ontario Shared Services was recognized as a leading public sector shared service organization by Harvard's John F. Kennedy School of Government. Their report highlights Ontario as "a model for other governments hoping to take their shared services enterprise to the next level." That was in their report.

Over the last five years, Ontario Shared Services has focused on best simplified and automated transactional processes, with the understanding that keeping it simple will make it easier and less costly to deliver these services. Ontario Shared Services leadership will not only continue looking for opportunities that drive efficiencies and reduce unnecessary administrative costs, but will also be a key contributor to increasing overall public sector performance.

Where are we heading in the future? The long-term vision of the ministry is to deliver modern government services to both the public and line ministries that are simpler, faster, smarter, more connected, diverse and



inclusive. This will be achieved through transforming and improving government services; engaging our people; providing Ontarians with reliable, cost-effective, easily accessible government services; and maintaining and managing government costs.

As we move forward with the work of this ministry as a force for both enterprise-wide and public service delivery, we will focus on our strategic priorities and outcomes. We are moving forward together on a strong foundation, and I am confident that we will continue to bring Ontarians change and progress they can be proud of.

I'm going to ask my deputy minister of ServiceOntario if he wants to add anything to what I have said.

**The Chair (Mr. Garfield Dunlop):** You've got about five minutes left in this rotation.

**Mr. Bob Stark:** From a ServiceOntario perspective, from a ministry perspective, the improvements we've made around providing access to services more effectively for both citizens and businesses, driven from the view of a customer-first kind of attitude through the organization: Over the past several years, we have centralized a number of services from various ministries into ServiceOntario, and that has given us an economy of scale and an opportunity to focus across the organization, which historically has been in ministry silos, to allow us to introduce new, innovative products.

We're particularly proud of some of the inter-jurisdictional services we've introduced; for example, newborn registration, which is a partnership between ServiceOntario and Service Canada, where new parents can go online to request a birth registration, a birth certificate and a social insurance number across both jurisdictions. Within a week to two, the parents have delivered to their homes both the birth certificate and the social insurance number, which historically has taken literally months to transact.

Another example in the business community would be our BizPaL service, which is a partnership between the federal, provincial and municipal levels of government where we've been able to bring together the capability to find out what licences and permits businesses need to start up. Historically, what that has meant for businesses is that they've had to go to individual municipal, provincial and federal offices to get that information. Today, going through an online process, they can get all that information within a matter of minutes.

I think those are some good examples of what we're trying to do in ServiceOntario to make a significant difference to how citizens interact with government, both provincially and across other jurisdictions.

**The Chair (Mr. Garfield Dunlop):** You've got a couple of minutes left of the 30 minutes.

**Mr. Ron McKerlie:** Great. Thank you so much. We're a ministry of service; that's what we do. Whether it's external-facing, through ServiceOntario or the Archives of Ontario, or internal services around I&IT or human resources or shared services, our goal is to make it more efficient, improve processes, take out cost and de-risk it.

One of the measures we have, in terms of how well we're doing, is external recognition. The minister mentioned some of those things. Being written up by the John F. Kennedy School of Government at Harvard as the model to emulate for back-office service anywhere in North America, I think, is a good testament to the fact that we're doing a few things right.

The fact that we've won the Canada's Best Diversity Employers award three years in a row, the Canada's Top 100 Employers award two years in a row and the Green Employers award in 2010—those are other good indicators that we're moving in the right direction in terms of delivering our commitments around service, which we've made both to the rest of the OPS as well as to external and third parties.

The other thing we're doing is spending time benchmarking our services, and the cost of our services, against best in class. One of the things we recently benchmarked was our cost of providing email services. We found we are among the best of the best when it comes to providing internal IT services like email to the rest of the OPS.

So those are some of the measures. Our focus is on service delivery. Our goal, our passion, is to continually get better, so that taxpayers will notice the difference: They'll be able to get cheques faster; we'll be able to deal with requests for services, and these will be handled more expeditiously. We'll continue down that path. That's the goal of the ministry and the mandate we're on.

**The Chair (Mr. Garfield Dunlop):** Thank you. That's just about perfect. We'll go on to the official opposition. You have 20 minutes, Mr. O'Toole.

**Mr. John O'Toole:** Great. Thank you very much, Chair. This is a large and complex ministry; there's no question about that. I envy the minister for having such quality people briefing him as well as they do and preparing those very laborious notes he read; I mean that respectfully, of course.

I have nine questions this morning; they're typed, and I'll be presenting them to Hansard. They're spoken more slowly—I have a time constraint, as you know. We can't have as much time as you have to prepare them and analyse them. In fact, we just got the stuff.

But I want to bring a little bit of substance to my understanding. Again, I referred earlier this morning to the small bit of time I had in a minor role as parliamentary assistant. I remember reading a report—I was just so impressed, as I was with Art Daniels, by another report called Delivering Results Through Quality—you used the term here today. It's called Transforming Public Service for the 21st Century. It's an excellent report, issued in April 2000. You still haven't got the job done, and it's 2010, 10 years later. Here's the paper. It outlines almost exactly what you're saying here today. I commend it for your reference. If you'd like, I could give you a copy, because you probably haven't had time to read it yet. I have. Actually, it's a very good report. You're still working on the substance of it, and that's good.

1630

The HR part is quite interesting too. I kind of looked at the sunshine list as a starting place, and I looked at



your organizational chart. You have 4,641 employees; that's a large company. So I commend the civil servants who are working under the direction of whomever has the football and gets to call the game. There's a lot of talent there, and I see it even now in the preparation here today; there's a lot of staff here.

Ten percent of your workforce made the sunshine list; probably more should have. They may have got their income some other way; I have no idea. I'm not implying that they may have been expensed, because you've cut down on consultants considerably—you told me that. Anyway, 9.7% or 555 of your employees.

When I was a superintendent at General Motors, I had 500 employees in the department I had just before I left there. Now, I didn't know what everyone did. I had people there sort of organized like a pyramid, a 10 in 10 or 20 in one supervisor ratio, so that's probably not too bad—close to 10%. Now, the surprising part is that you had close to 15 people who made over a quarter of a million dollars. I'd like to know what job descriptions go with these titles. They make more than the Prime Minister, and I haven't heard half of their names. That's troubling to me and, I'm sure, a surprise to most of the government members—more than the Prime Minister. I look back at this report I referred to. It's 10 years old, and we're still working on it. Anyway, I'll try to get to a few questions here.

Earlier this morning I asked one of the questions that I'm submitting today. I'll just repeat it here: What kind of job descriptions go with some of these, and are there performance-based, objective criteria? You've told me that in birth certificates you're at 90-some per cent and that ServiceOntario is a very good model. What are the matrixes for measuring this stuff? Are they performance-based? For anybody who is making over the \$100,000, how many goals did they score? It's not a subjective thing. Are there really clear job description criteria with measurable outcomes?

**Hon. Harinder S. Takhar:** Let me refer this question to the deputy minister. I think he's more capable of answering, because he deals with performance reviews and setting up performance objectives as well.

**Mr. Ron McKerlie:** Thank you, Minister, and thank you very much for the question.

Chair, there's no question that MGS is a very large ministry, to one of the member's earlier comments. It started pre-2000—in 1998, actually—when the Shared Services Bureau was created. This was formed by the transfer of staff and resources from a number of ministries into a new organization. They were responsible, at that time, for the delivery of enterprise-wide internal business support services. Also in 1998, an I&IT strategy was approved that organized ministries into a number of business clusters with a CIO and corporate chiefs to provide stewardship over things like common infrastructure and corporate policies and standards.

This was the start at that point. Before that, every ministry had its own IT, HR group, back-office services and so on. The intention was to start to centralize those

where there were some economies of scale available. That has been the strategy over the course of time, and that we've continued to drive along. We were asked to do the same thing for HR, and in 2008 HROntario was created. This was established in July 2008 to oversee the operation of the Ontario public service human resources service delivery organization, and it consolidated a number of HR services to provide more integrated corporate policies, programs and services. We set up five regional recruitment centres and we have also done a number of other things.

More specifically to the member's question, we have put in place a talent management process and a performance management process which now would incorporate all of the individuals whom he mentioned. It starts with a very detailed job description for the position. It would highlight their responsibilities and the types of skills or attributes we would be looking to hire for that individual when we get them into the job. Then there are performance criteria set up. There's a performance plan that is created between the individual and their manager once a year. It's set up at the beginning of the year, so at this time of year, usually in April, it would be prepared for the fiscal year that would run from April 1 to March 31. In that performance plan would be very specific outcomes. There would typically be somewhere around six to a dozen very detailed deliverables. With those, there would be a set of metrics to say how you will know success is achieved if you deliver on that particular—

**Mr. John O'Toole:** Chair, can I interrupt? Perhaps you could send me a note on that, because we get such limited time here. I think you've substantively answered the question. You have an operational plan, you have a process of reviewing these things and you have some metrics that you measure against.

Pardon me, I don't want to be rude for cutting you off here, but I want to get to a couple of more questions kind of on the same line, but one of them is quite real. I look at, and I'm impressed, I might say—that some of this online ServiceOntario stuff is quite important, given the technology in the world-is-flat kind of environment that we operate in. When you can register pretty well everything—personal property registration, real property registration, birth and death—the whole deal can basically be done online through some legitimate means, securely etc.

I had a private member's bill, so this question may be a bit selfish—one of the big abuses today, according to banks as well as the elder communities, on elder abuse is that currently, under the Substitute Decisions Act—and I had a private member's bill dealing with the power of attorney. Power of attorney today: You can download it online—commendable—sign it, put Minister Takhar's name on it and go out and clean out his bank account, because if you have a poor clerk at the bank only taking maybe \$200, and the next day \$200,000—do you understand? I called for a registry. That's all I wanted, some registry for the power of attorney—not possible.

Then I heard a question the other day by the NDP about the shared service things across platforms, because

when we were there, MTO was like a silo, health was like a silo, a hunting licence is a silo; none of them talked to each other and it was complete inefficiency by design—and job protection. I'm happy that what you're doing has efficiencies. There's no question that it has efficiencies. Possibly more efficiently—keep pushing on it and you'll finally find ways to do that.

Is it possible to simplify the process a bit for—Minister, you could pick this one up. Today's power of attorney is a large issue of people taking—call the Canadian Bankers Association—it could be their parents' money, slowly but progressively, until they're penniless. There are court cases pending, and police have no problem with it; they don't want to look into it because it's kind of a civil matter. Could it be possible for you to look into something like that—a registration for the power of attorney? You may have to have a PIN number. So when I go to the bank and I say, "Look, I have the right. I have power of attorney. I've just come in from Alberta to help pay my mother's bills"—or something. It's very important.

**Hon. Harinder S. Takhar:** Let me say that I think it is the duty of the government to protect the vulnerable in any way, shape and form we can. I think we need to take a closer look at some of the suggestions that the member is making right now. I will ask my officials to do that and see where we can go with this.

1640

**Mr. John O'Toole:** I think it would demonstrate to me that this process itself, of us listening to what your ministry's business plans are and having access to you to ask direct questions, is important outside of strictly political questions.

**The Chair (Mr. Garfield Dunlop):** Did you want an answer from that?

**Mr. John O'Toole:** I think I have a suggestion that he's interested in expanding the application.

Now, there is another question. It's another issue that is so complicated: when they transferred from Polaris to Teranet. I happen to know a few people who were involved in that business, and there were some people who weren't qualified to read a title and what was registered on title. So when the transfer occurred to get to the Teranet phase we're at—it was occurring when we were government, actually. Now it's sort of been hived off, it's kind of a profit centre or whatever. It was sold, I guess. You still have control of it; I have no problem with that.

Here's the deal: There are errors in there. I know for sure that some of the registered on title were ignored, and I've asked you a question about this in the House.

**Hon. Harinder S. Takhar:** Yes, you did.

**Mr. John O'Toole:** It's rights-of-way that were on property that are older than 40 years are assumed to no longer exist if they're not there. So it's reverse onus. If somebody only notices it on the sale of a property, they say, "Holy jeez, somehow it got transferred to Teranet." That easement got dropped. It's in the budget, Bill 16. It exempts all those 40-year-old rights-of-way. Good luck

to you. It's about \$4,000 to re-establish the right-of-way. In fact, most cottagers, when they go to sell these heirloom cottages, are going to find that they really don't have any access. It is a big issue. Are you aware of it, and are you trying to at least acknowledge it, or how is it being fixed?

**Hon. Harinder S. Takhar:** Let me say—I think I said that in the House as well—I am aware of the issue, and we are moving towards automation of the records.

**Mr. John O'Toole:** Yes.

**Hon. Harinder S. Takhar:** What we are automating is what actually is available in manual records. If it is not in the manual records, then it's not being automated.

**Mr. John O'Toole:** Okay. What if it is in the manual record, but didn't get automated? That's the issue. The lawyer has to go back to the original paper record, verify that that right-of-way was, in fact, registered and that it was missed in the transfer to the digital record.

**Hon. Harinder S. Takhar:** I think that if it is in the manual record and doesn't get automated, then there is a process to rectify that.

**Mr. John O'Toole:** It should be free. That's all I'm saying.

**Hon. Harinder S. Takhar:** The deputy minister can maybe shed a little more light on this.

**Mr. Bob Stark:** Sure. As the minister said, under the Registry Act, an interest in real property expires 40 years after initial registration. If the process for renewing the interest has not taken place, the interest will not be recognized in the automation or conversion. So if they haven't taken the step in the manual process, up until the point of conversion—

**Mr. John O'Toole:** But I think you know what I'm implying. It's implied that people are looking at this stuff on the gazettes that are issued on these regulation changes. A ministerial letter was sent out—that's how it got changed—to avoid future liabilities going forward; I understand that. But I think you should fix it. I think it is a right. It's sort of like the negative option billing that Rogers tried a few years ago: "If you don't send me back the thing, your rate's going up." I think that's poor business, and it's unethical, in my opinion.

I'm going to raise one more question here. This is on the enhanced driver's licence. Most of that, I support. I'm not sure how useful it was. It was good politics, not necessarily good policy. But one that's even more glaring here to me, I think—Keith Leslie from the Canadian Press summed it up. I thought he did a nice job on it. He said, "It's 'offensive' and 'misleading' for the Ontario government to promise to donate a portion of the sale price from new 'Support Our Troops' licence plates," to these families. These are the families of injured service personnel. I've had them in my riding, and I live in a riding that has the Highway of Heroes right through it. I'm at a ceremony—in fact, there is one this week. General Natynczyk is there and it's a "Hi, how-de-do?" thing. It's all about supporting the Canadian Forces Personnel Assistance Fund.

I gather each plate is \$75 or something in that order. How much of that for each plate actually gets to the



families, after you've paid \$100,000 to the person who looks after the program?

**Hon. Harinder S. Takhar:** First of all, let me say this: I said in my opening speech, when I was talking about ServiceOntario, that I was in Petawawa to open a new ServiceOntario centre. There I had the opportunity to actually work and meet with the people who are sort of the beneficiaries of this money that we are giving back the fees to them. And they are very appreciative of the fact that it's being done, because it's—

**Mr. John O'Toole:** But how much money? It's \$75, and I think they're only getting two dollars. You should be getting two dollars, and they should be getting \$75. You got this whole thing wrong; you're taking credit for something that they don't get anything for.

**Hon. Harinder S. Takhar:** But I think—

**Mr. John O'Toole:** You better clean that up. I don't think it's good. You better buy a couple of extra poppies this year.

**Hon. Harinder S. Takhar:** What happened was, these amounts were in fact agreed upon with them. These are the people who really need this money, and they're very appreciative of the fact that we're doing this.

**Mr. John O'Toole:** I attended the fundraiser this year. You probably did, too; I hope you did. I know Premier McGuinty did. It was True Patriot Love. I knew both principals who were involved in that event. One of them was my son, who has served in the forces for 10 years and is really hung up on this stuff. They raised millions of dollars. So all I'm saying is, take another look at this program. Take credit for it, but do it right or don't bother doing it.

One other thing here—

**The Chair (Mr. Garfield Dunlop):** You've got three minutes left.

**Mr. John O'Toole:** I'm going to go back to the accountability part. I just can't let this pass. Minister, I think, you know—you're a business person. I've looked at your acumen, and you've got a lot of check marks on there, I'll say that. But the Truth in Government Act that we had last week and that your members unanimously voted against—give me one reason why you would have voted against it. Why couldn't you have just said—and I read your speech; I have a copy of it here from Hansard. Whoever wrote it for you did an excellent job; you did a pretty good job reading it. The point I'm saying is—I always like to make fun about these things, but I'm quite serious, actually.

When you were trying to take credit for this thing—and when I looked online, I haven't really seen any evidence yet. Now you say that you've cut down on the consultants. Well, it's still a million dollars a day—it's probably more than that. Then I look at the LHINs, and you're reporting their salary in some hospital budget. Then I find out that some of them, including the Deputy Minister of Health, was such shameful—he was an excellent guy, and if he's worth \$700,000, pay him \$700,000 if that's the deal. Even in the budget, you said you're going to cut back. You're in charge of all these

contracts. These people's salaries aren't frozen. If they're in a grid—I worked in personnel—they're still going to get the money in the grid. Do you understand? If they're classics, or whatever you call them in the public service—you may have frozen the grid, the maximum, but if you're still working in the grid, you're going to get raises.

So it's not transparent, it's not accountable, and ours is frozen. You could argue that we're overpaid. Who knows? Maybe you're underpaid. I honestly think the ministers should make—you should make the same as your deputy, about \$385,000 or something.

**Hon. Harinder S. Takhar:** I thought more, but that's okay.

**Mr. John O'Toole:** No, no, no. We don't want to be greedy. Just leave it at that.

**The Chair (Mr. Garfield Dunlop):** Okay. You've got a minute left here.

**Mr. John O'Toole:** Can you actually affect a change in any of the collective agreements where somebody is getting a grow-in raise within their classification, even though the Premier said that he has frozen the wages?

**Hon. Harinder S. Takhar:** Let me answer your first question first.

**The Chair (Mr. Garfield Dunlop):** You have about 30 seconds to answer the question.

**Mr. John O'Toole:** Take as long as you want.

**The Chair (Mr. Garfield Dunlop):** I have to go to Mr. Miller in 30 seconds.

**Mr. Paul Miller:** Just use up my time.

**Mr. John O'Toole:** You get tomorrow.

**Hon. Harinder S. Takhar:** I had a background in finance, and all my life I was involved in developing policy, processes and procedures. One of the things that you always look for when you're developing internal control is, what are the benefits you're getting versus the cost that you will incur? We looked at the proposals and your bill, and we gave them very thorough consideration. The issue was that it basically cost close to \$30 million to implement all that is in that bill. And then you have to say to yourself, if you're going to spend \$10 million on an ongoing basis and \$20 million to implement the process, are you really going to get the benefit out of it that will offset implementing these costs?

**The Chair (Mr. Garfield Dunlop):** Thank you, Minister, and thank you, Mr. O'Toole. We'll now go to the third party for the next 20 minutes.

**Mr. Paul Miller:** To the minister or his assistant or director, I'd like to know, do economic development objectives play a role in procurement policies, and is there any attempt to use Ontario tax dollars to further Ontario economic objectives? Could you give me a detailed answer on that?

1650

**Hon. Harinder S. Takhar:** Yes. Let me say that our overall policy is that it should produce value for money, but we also feel that sometimes there are new technologies that companies develop, in which case they could become leaders in the world. We are encouraging



on a very proactive basis that if a new technology is being developed that fits the overall objective of the province, that we feel they can become leaders going forward, and if we can use those products—actually, we are encouraging them to come to us as a demonstration project. If they have a demonstration project with us, then they can at least get a reference from us and then they can showcase that they are selling it to the Ontario government, and that can open doors for them moving forward.

After the demonstration projects, they have to be competitive with other suppliers of similar products to sell to the government. But we are sort of giving them a chance and becoming a reference point for them if they have a new technology with which we feel they can have a real niche and they can become leaders.

**Mr. Paul Miller:** Following along on that note, what steps is your ministry taking in the tech field to improve your ministry's service situation?

**Hon. Harinder S. Takhar:** Do you mean in information technology?

**Mr. Paul Miller:** Information technology, as well as programs that you are now examining that would enhance your present system.

**Hon. Harinder S. Takhar:** I actually outlined quite a few of those objectives before. Let me just say that the government of Ontario had very old systems. Our reliance on systems is so heavy that if the systems don't work, it can create a real problem, not just for the government but for the people of Ontario, so the government has moved in a very systematic way to replace some of those old systems with the new systems.

It does a couple of things. It basically improves the productivity, the efficiencies, and as a result you can actually decrease 5% of your Ontario public service as well. It also increases the efficiency and becomes more responsive to provide services to Ontarians.

My deputy minister actually has a background in information systems. That's where he came from.

**Mr. Paul Miller:** Yes, he looks like a tech guy.

**Mr. Ron McKerlie:** I'll take that as a compliment.

**Mr. Paul Miller:** It is a compliment.

**Mr. Ron McKerlie:** We run about 1,800 to 1,900 applications in government, but there are about 200 of them that are absolutely critical to the core business of government: delivering cheques, keeping prisoners behind bars and supporting the services that we provide to the public.

We went through a process a couple of years ago and looked at the 200 most critical business applications. We risk-rated them: We looked at their ability to continue to run, how obsolete they might be, and then, if they stopped running, how difficult it would be to get them to work again. We identified 77 that were at risk of failure, and the investment has been in those 77 applications, to make sure that they are refreshed or renewed or replaced so that they will continue to run over time.

The biggest, most critical of those are all key delivery pieces of technology for government services.

The application that supports the Family Responsibility Office, collecting funds from fathers, primarily, payable to kids for child support—that system—we are refreshing so that we can ensure we can collect the money faster and more fully and get it to the mothers and the children who need it.

The SDMT is a system that supports Ontario Works and the Ontario disability program, ODSP. That is a system desperately in need of refresh. Right now, when the government announces an increase in payments, for instance, it takes between six and 12 months of programming time and effort to be able to change a system which essentially is hard coded. Replacing that so that we can get those changes in quicker and get those cheques out to the public faster is one of the things we're doing.

The third big one would be around the road users' safety suite of applications. These are Ministry of Transportation applications that were built primarily in the 1960s. These are older systems. They do everything from licensing vehicles to dealing with overweight permits for trucks to our own licensing for personal licences and so on.

**Mr. Paul Miller:** Thank you. I guess one of the biggest problems that we've faced in opposition is our concern about the use of consultants. It has become a major issue, as you know, facing your government. After the eHealth debacle, now that they're going to look into other major agencies—20, I believe, of the major ones—what role is your ministry going to take in reference to the reduction of costs of consultants?

We were overwhelmed with the amount that's spent. Correct me if I'm wrong, but I believe eHealth spent \$388 million in five years trying to develop a system, and a good chunk of that went to consultants, with no systems, no hardware. If I'm incorrect, tell me, but I believe you got about \$100 million worth of hardware and systems and tech assistance from that five-year experience, and over \$200 million went to consultants. We've gone through that, and I don't have to repeat the questionable conduct of some of the consultants. That was one agency, and it was over \$200 million for consultants in a five-year period. I don't even want to think how much is being spent on the other 19, and I'm sure we'll find out.

Then you did mention, if I'm not mistaken, that there are another over 200 municipalities, agencies and other things that the Ontario government has indirect or direct jurisdiction over, and obviously some of those agencies would be hiring consultants too. So I'd be willing to estimate that it could be billions that are spent on consultants over a period of a very few years.

What is your ministry going to do to clean up your own yard and then recommend to the other ministries any success stories you've had? Because I do believe that yours was one of the largest consultant-paid agencies. If I'm incorrect, tell me. I want to know what you're going to do to save tax dollars on these consultants. What are you getting for your money? Did you get anything for your money, or was it just another debacle?

**Hon. Harinder S. Takhar:** Let me just start by saying that I think we have already moved ahead to tighten up the policies with regard to hiring consultants, not just in my ministry but I think throughout the government and also the agencies that we manage as well.

The numbers will tell you a little bit of the story. I think in 2001-02, we had \$656 million that the previous government spent on consultants. That number is down to \$304 million in 2009-10. So there's a reduction of more than 50%, almost \$350 million, out of that number.

What we have done in our ministry is this: One of the major expenses of our ministry was hiring IT consultants. We are actually moving ahead to convert 1,415 positions to full-time-employee positions, so they will not be consultants; they will be employees. That is going to save about \$58 million on an ongoing basis to us. That's one. But this is not the only benefit of doing that, actually. It retains the expertise within the Ontario public service as well. So we are moving in that direction.

The other is, we have provided very strong policies and tightened our policies with regard to expenses on hospitality, incidentals, food expenses. Those kinds of expenses will not be allowed anymore for consultants to charge to us. They will have to use the vendor-of-record people for hiring consultants as well.

The deputy minister might be able to add a few things.

**Mr. Ron McKerlie:** Just to your question of consultants, there are two other things that we've done that I think will be quite valuable in terms of driving down the costs.

One is, we've put in place a vendor-of-record program where we have negotiated rates for consultants where they have to be used, so that it limits some of these higher-priced consultants and the use of those that we had seen in some of the agencies in the past. So that will drive down the overall cost of consultants where they're used.

The other thing that we've set up as a bit of an experiment, but early indications are it's working quite well, is that last year we established in the information technology area a program that we call Information Technology Source, which is a modern, mobile workforce of Ontario public service staff who will be deployed to projects. We would deploy consultants to projects, so they won't live and work in a fixed location. They might, like consultants, finish a project after a few months and move on to something else.

1700

This is new and innovative for us. We have 167 full-time equivalents. These are staff, now on board, who are replacing consultants we would have hired to do special project work. We see that number growing to 275 full-time equivalents this year, which will again further replace work that consultants would otherwise have done.

**Mr. Paul Miller:** Okay. My next question is, who holds the trademark or the copyright for Privacy by Design, and does the minister have any plans to introduce Privacy by Design in Ontario?

**Hon. Harinder S. Takhar:** I think you're referring to the report that was issued today by the Information and

Privacy Commissioner. We are looking at some of the recommendations that were made in that report, and this was one of the issues that was raised.

I don't know whether the deputy minister has any more information on it that he can share with you, but we are going to give very careful consideration to all the recommendations—

**Mr. Paul Miller:** The reason I say it is because I'm also concerned about the use of consultants to implement the program. Once again, I caution you to look very deeply into who owns the copyright and what it's going to cost the government if they try to implement it. It's a concern.

**Mr. Ron McKerlie:** My understanding is that Privacy by Design and privacy by access are both part of the office of Dr. Ann Cavoukian, our Information and Privacy Commissioner. I'm not aware of any licensing agreements for them.

**Mr. Paul Miller:** How much time have I got, Mr. Chairman?

**The Chair (Mr. Garfield Dunlop):** Eight minutes.

**Mr. Paul Miller:** Okay. I guess the final area I'd like to go into—you were very good this morning during your presentation on your pride in the diversity in your ministry. I'd like to ask a few questions along those lines, and maybe you can enlighten me on where it stands.

I'd like to know, first, what percentage of members of the OPS are visible minorities. That would be my first question. Can you give me some numbers?

**Hon. Harinder S. Takhar:** Deputy Minister, do you have numbers? Actually, we have our head of human resources here as well.

**Mr. Ron McKerlie:** I'll ask Angela Coke, the associate deputy minister for HROntario, to join me here. I don't know whether or not we have that information available.

**Mr. Paul Miller:** I'd be willing to get it later, if you can get it for me.

**Ms. Angela Coke:** I'm Angela Coke, the associate deputy minister for HROntario. We don't actually collect the data from people directly. We do an employee survey, and folks answer some of the questions there and self-identify. But we don't have a program at this time that actually collects that workforce data directly from folks.

**Mr. Paul Miller:** Some of the people who have brought it forward would like that information and would hope you're opening doors a little more in that area.

How has that changed relative to 2005, which you mentioned earlier today, and 2000 and 1995? Have there been any major changes, any program changes or ministry directives in that area?

**Hon. Harinder S. Takhar:** Let me just say a few things. First, it's very important for us to make sure that the Ontario public service reflects the community. If you go around and look at the Ontario public service, you can feel that it is visibly reflective of the community. You don't need numbers. You can actually feel it; you can see it.

**Mr. Paul Miller:** I'm not quite sure I can drive all over Ontario, but—



**Hon. Harinder S. Takhar:** I'm talking about even here. Even here, you can see it.

**Mr. Paul Miller:** Oh, here?

**Hon. Harinder S. Takhar:** Right. Outside, in some areas you might not see it, because there might not be visible minorities or people with disabilities and so on.

**Mr. Paul Miller:** Okay. All right.

**Hon. Harinder S. Takhar:** Not only that, but even in leadership positions: I recently had a chance in the South Asian community to highlight some of the people in leadership positions. We have two deputy ministers who are visible minorities and two ADMs who are visible minorities, as well as people at the director and manager levels. I think we are making progress in that direction.

Maybe the deputy minister—

**Mr. Ron McKerlie:** I would just add that Ontario is also the first jurisdiction anywhere to have a chief diversity officer, Noëlle Richardson. We're quite proud of that and of the work Noëlle has done in her office. One of the ADMs in our ministry is focused on diversity and one on accessibility, and Noëlle supports them and the important work they're doing.

We have also done a great deal of work in terms of mentoring relationships; for example, between visible minorities and deputy ministers. We've set up that program, and it's working well, but the purpose of that is to help people understand some of the issues and some of the obstacles and barriers that perhaps exist to advancing visible minorities through and up the system.

We also have a three-year strategic plan, which we think will be incredibly helpful. It has a number of goals to help move us forward in the area of diversity. We've created what we call a diversity lens, through which we will view a strategy and policy to ensure that we're considering the needs of people who come from diverse backgrounds. We have also set up a number of networks to support our different diversity groups. We have a group called BOPSers, which is for black OPSers; we have SANG, which is our South Asian network; EANG, our East Asian network; the OPS pride network; FrancoGO for our francophone employees; D-Net, the network for employees who have disabilities; and TOPS, which stands for Tomorrow's OPS, for youth and new professionals as they join.

We've tried to make it as accommodating as possible to connect people, to mentor them and to break down barriers.

**Mr. Paul Miller:** My next question dovetails nicely. You mentioned Noëlle Richardson, Ontario's chief diversity officer. Maybe you can define for me exactly what her role is, and that will go into the next two questions. What is her role as chief diversity officer?

**Mr. Ron McKerlie:** Noëlle's responsibility is two-fold: one around diversity and one around accessibility. Around diversity, her goal is to ensure that the OPS is, and is seen to be, a diverse, equitable and inclusive organization; that systemic barriers are broken down; that we provide support for people of all backgrounds so that people feel welcome when they join the OPS; and that

they have equal opportunity to advance to their full potential. She leads the programs and the developmental strategy and policy for that area.

Around accessibility, we support the Accessibility for Ontarians with Disabilities Act. The OPS was the first organization of 360,000 in Ontario that was ready on January 1, 2010, for the customer service piece, which was the first piece of the accessibility—

**Mr. Paul Miller:** So the programs you just mentioned would be part of her mandate?

**Mr. Ron McKerlie:** Yes, that's right.

**Mr. Paul Miller:** Okay.

**The Chair (Mr. Garfield Dunlop):** Last minute.

**Mr. Paul Miller:** Okay. Last question: Exactly what does your office of diversity do, other than the programs and her mandate? What other role do they play?

**Hon. Harinder S. Takhar:** Let me just answer that question, because I had the chance to work with that office as well. One of the other objectives is for them to do outreach, so they can go and meet with communities and highlight some of the things we are doing in the OPS. Just last week in the Attorney General's office, the people celebrated South Asian Heritage Month. We want to encourage those kinds of activities to go on as well. The chief diversity officer was there as well. She plays a key role in making sure there is outreach and encourages people to take pride in the culture they have.

**Mr. Paul Miller:** Thank you.

**The Chair (Mr. Garfield Dunlop):** We'll now go to the government members, starting with Mr. McNeely, for the next 20 minutes.

**Mr. Phil McNeely:** Thank you, Minister, for being here today. I was very interested in your presentation this morning, and I'd like to congratulate the OPS, led by your ministry, for the awards you won for the green office. I think that is excellent. I've always been a proponent of e-working, as you know—and I worked for you as a parliamentary assistant in transportation. I think it's great to see you going ahead with the telecommuting pilot project. You've won the awards. You've set yourself some high standards. Congratulations. I'm glad to see that in your presentation and as a big part of your ministry.

1710

I have a climate change challenge that goes on with high schools in my area. Arctic ice will be gone in about 10 or 15 years. We're now at 386 parts per million for carbon dioxide in the atmosphere; we're going to be at 400 within five or six years. China has now surpassed the US in greenhouse gases, and coal is still the fuel of choice. So I think what you're doing here, leading by example, is extremely important.

What I wanted to talk to you about today is the ServiceOntario improvements. I got my health card about a year ago, and it cost me probably—60 kilometres at 40 cents—\$24 to drive in to Ottawa to get it. I had to pay \$12 for parking. My wife went to have hers renewed the other day, and she just took five minutes going down to St. Joseph Boulevard in Orléans. I think this is an

excellent initiative and one that is appreciated by people. We've had over 10 calls now. With your constituency office, you don't often get a lot of calls for what you do, but this has been one of the big areas where people are very pleased to have the office so close to do so many things. You're going to be moving those forward with other issues.

The newborn registration was something I wasn't aware of. Two or three years ago, that was a big issue in our office, where you often had to go to city hall to start the process and it was a three- or four-month process for parents who got caught in that situation.

Getting a birth certificate, health card or driver's licence is the only direct interaction many Ontarians will have with government. What is your ministry doing to improve the customer service it provides Ontarians? I know you told us that this morning, but I would just like you to go through some of the more important initiatives you have under way.

**Hon. Harinder S. Takhar:** Thank you very much for asking this question. Let me tell you that I think the work we are doing at ServiceOntario is very important work. People's expectations are very high with regard to service these days. I'm very proud of the work that is being done in ServiceOntario. I always feel this is where the government and the public meet. If we provide good service to people, then people think that the government is doing a good job. If we don't provide good service, then people think that the government isn't really working.

Probably the DM will give you a lot more detail than I will, but what we are doing on the ServiceOntario side is modernizing and integrating the ServiceOntario centres. One third of those centres are actually government centres, and two thirds will be the private issuers network centres.

When I was the Minister of Transportation, I had responsibility for the private issuers network, along with you, and I want to say that you didn't work for me, you worked with me. So thanks very much for doing that work at that point in time.

What we want to do is make sure that we can provide all services under one roof so that people don't have to go to one part of the city to get their driver's licence and another part of the city to get their health card. They should be able to go to one centre and get all the services.

Two or three weeks ago, I was in Ottawa and was able to announce that we are adding the health card services in six private issuers networks in the government centres. That saves people time, it saves people money, and it also gives a good name to the ServiceOntario brand; that we can provide all those services under one roof.

In the Ottawa Hospital, I also made an announcement about the birth registration. It used to be a three-step process. Now, in one step, you can get your registration, you can get your birth certificate, and not only that, you can get your social insurance number as well.

So it is saving people time, it's saving people money. It's the right thing to do. We want to make it easier for people, because their lives are very busy, to get the right services everywhere.

Our commitment to service excellence is paramount, and we want to make sure that people see that they can get the kinds of services they need at ServiceOntario.

People with disabilities should be able to get the services they need—and we are also providing options for people. If they want to go to ServiceOntario, they can do that. If they want to use the Internet, they can get those services through the Internet. If they want to go to a kiosk, they can get those services.

We're also providing them with other options. They can call and make an appointment, so people don't have to wait in line to get some of the services.

Moving forward, we are also going to make sure that we provide flexible hours for service, based on the needs of the communities. We want to provide some services that are available in the evening in some centres wherever there's a demand, or maybe over the weekend. So we are looking toward becoming more flexible and providing services more in tune with the needs of the communities.

I will ask the deputy minister if he wants to add anything more to this.

**Mr. Bob Stark:** I'd be very happy to, Minister. Thank you for the question. Maybe I can just add a little bit more detail and a bit of history on what has gone on in ServiceOntario.

First of all, we all know that expectations of citizens are rising over time. In fact, we also know that citizens expect government service to be on par with the private sector, if not better. ServiceOntario represents a way that we can show the public what we're doing in terms of service, and help them with the myriad of government services they need to navigate through.

ServiceOntario's story started in 2004. In 2004, we started to add additional services to the ServiceOntario suite of services. In particular, we added hunting and fishing licences. We added driver and vehicle services and health card services. So now we're serving some 12.7 million Ontario residents with a variety of services, including such things as birth and marriage certificates, health cards, drivers' licences, licence plate renewals, fishing and hunting licences. In fact, we've facilitated well over 44 million customer interactions in the past year.

We're also on the way to improving access to services, and in particular, the health card services. ServiceOntario is creating, as we've mentioned, one-stop shopping experiences, if you will, so that when we've integrated these services across the province by the end of this year, it will be possible for citizens to go to one location for all of the routine services.

Previously, for health card services in some of our communities, the rural remote locations in particular, citizens have had to wait up to six months for services to come to their communities. By integrating these services and creating the one-stop opportunity, we now have the routine health services and routine driver and vehicle licensing services under one roof. Roughly 300 locations across the province are an extension of our existing government offices and an extension of privately run



offices, which have historically handled driver and vehicle licensing. So it'll be much easier for citizens to conduct health card services across the province.

For health card services in particular, historically we've had 27 permanent offices for health card services in the province. In the future, we'll have 300 locations where the access is significantly improved. In rural communities, we will have expanded our offices from two permanent offices to 163 offices. In northern communities, we will have expanded from six health offices to 67 health offices. It's all designed to get as close to the citizens as we can. In fact, about 95% of citizens will be within 10 kilometres of one of our integrated ServiceOntario centres.

1720

In addition to the key services now offered under a single roof, we will be able to make service improvements not available before, such as integrating driver's licence and health card renewals, so you can go into one location, stand in one line and get both your driver's licence and health card renewed. Clearly, that saves a customer's time, so there's reduced travel and reduced waiting in our offices.

By focusing on what is important to the customer, ServiceOntario will be at the forefront of service delivery to individuals and businesses in Ontario.

Our progress to date: As of the end of April, ServiceOntario had completed implementation of integrated services in 26 locations across the province. Integrated services will be introduced into a total of 293 offices, representing 225 communities, by the time this implementation is complete in December of this year.

ServiceOntario is also making it easier for many customers who now use online services. Customers can renew their vehicle registration, and we guarantee that the sticker is delivered to their home within five days. That service is available at our ServiceOntario site, [serviceontario.ca](http://serviceontario.ca).

We will also continue to make service improvements on our online channel to respond to customer preferences.

You mentioned Ottawa, and the minister mentioned that we opened a site in Ottawa. In April, we celebrated the latest ServiceOntario centre launch in an Ottawa community. Citizens can now renew their health card, driver's licence and vehicle registration at six new ServiceOntario centres conveniently located across the province.

**Mr. Phil McNeely:** And one of them in Orléans?

**Mr. Bob Stark:** And one of them in Orléans. That's correct.

When this is fully implemented by the end of the year, Ottawa will have six privately run service providers, two public centres and five kiosks—a very sound representation in that region.

In keeping with our commitment to accessibility, four of those locations currently offer extended hours: some evenings and Saturday mornings.

These centres currently transact over a million driver and vehicle licensing transactions and over 200,000 health card renewals—very active centres.

These newly integrated centres will make it faster and easier for Ontario residents to access government services. The opening of the new integrated ServiceOntario centres is another step in ServiceOntario's plan to build a one-stop service network in which, as I said, 95% of Ontarians will be within 10 kilometres.

ServiceOntario is committed to high-quality service delivery and service excellence. We have embraced the OPS-wide service excellence campaign and service directive to create the internal service standards that support—

*Interjection.*

**Mr. Phil McNeely:** Thank you very much for that and—

**Hon. Harinder S. Takhar:** Let me just add one more thing to this. I think we are focusing on customer service, but more needs to be done on this front. We still have the legacy system. Even though we are integrating all those services into one place, the health cards have one system and the driver licences have one system. We want to move to a system in which all those services can actually be provided at one counter, not from just one location. That will enhance the quality of service as well, as we move forward.

**Mr. Phil McNeely:** Chair, I'd like to share my time with Ms. Mangat.

**The Chair (Mr. Garfield Dunlop):** Go ahead.

**Mrs. Amrit Mangat:** Minister, as we all know, Canada is a country of immigrants. A large number of newcomers prefer to settle in the province of Ontario because it's a great place to live, work, raise families and invest.

Having said that, you know and I know that Peel is growing. Every year, 27,000 newcomers settle down in the region of Peel. On a daily basis, I meet newcomers in my riding of Mississauga—Brampton South as well as at events, and I'm sure you do the same, because it's the same region. They are facing problems not with the upgrading of their credentials—I must say that at the time you and I had immigrated, we had to jump through different kinds of hoops which newcomers right now are not facing.

Our government has done a great job, which I'm very proud of, helping newcomers in upgrading their credentials so that they can integrate well, professionally and socially, in our society.

The problem is when they come here and upgrade their credentials, they face a problem in finding jobs. Whenever they go to employers, they say, "Oh, you don't have Canadian experience." My question to you is, what is our government doing to help those newcomers find meaningful work experience for internationally trained individuals, no matter if they're doctors, engineers, teachers or other professionals, so that they can jumpstart their careers? They don't only benefit themselves but also the people of Ontario, and they also contribute to the economy of the province.

**Hon. Harinder S. Takhar:** Thank you for that question. Let me say this: I can completely relate to what you

said. When I came here in 1974, I faced the same kinds of issues: Your qualifications don't get recognized, your experience doesn't get recognized. I wish sometimes that we had these kinds of programs when we came, because it makes life so much easier for people if you can give them some sort of experience, and then they can go and look for a job, because it also gives them a reference point.

In the Ontario public service, we have an internship program. I think this is a model program in its own right in our public service. What it does is, when a new immigrant comes—most of the immigrants are highly qualified from an education point of view and from an experience point of view, but when they come here they do face the situation that they don't have a reference in this country, and sometimes people are also looking for some Canadian experience. But how do you get Canadian experience if you don't get a job? What happens in this case is in the internship program, every year we have about 75 people we bring into the Ontario public service. The idea is to give them six months' experience so that they can actually get used to the environment of working here but at the same time they can also get the reference point, and then they can go and look for a job outside.

This program has been very, very successful. The idea was to give them six months' experience so that they can go and get the jobs outside, but experience has shown that because these are highly skilled people, almost 80%—plus actually end up in the Ontario public service.

So it helps us in two ways: One is, it helps us to become more diverse. The question was being asked, how do you become more diverse? This helped us to become more diverse. The other is, we bring highly qualified people who have years of experience and qualifications into the Ontario public service as well.

What we have done is we are actually expanding this program from about 75 positions to about 130 positions this year. We feel that this is the right thing to do to integrate immigrants into society, because if they become more productive, they become better citizens, and they also add to the economic well-being of the province.

I'm sure that the deputy minister wants to say a few more things about it.

**The Chair (Mr. Garfield Dunlop):** You've got about 30 seconds to wrap up.

**Mr. Ron McKelvie:** Just a couple of things: First of all, Ontario is the only province to launch an innovative internship program specifically for professional newcomers. We're very proud of that. Secondly, I would say that we have had 351 interns between the launch in 2006 to the end of March 2009. We put 351 interns into 23 ministries across the province. As the minister said, our goal is 130 interns at this particular time. They've been in cities from Hamilton to Guelph to Sault Ste. Marie and Thunder Bay in areas as diverse as community development coordinator, policy analyst, web design specialist, business process analyst, hydrogeology research intern, so lots of different types of jobs. Eighty-one per cent of them have found full-time professional employment as a result of this.

1730

We've been recognized by the Career Edge Organization now four years in a row for our leadership in breaking down barriers for newcomers through the OPS internship program for internationally trained individuals. I think it's quite an acknowledgement of the work we've done in this area.

**The Chair (Mr. Garfield Dunlop):** We'll finish up today with 20 minutes from the official opposition.

**Mr. John O'Toole:** Again, it's the first of two days, which is certainly not enough time, but we'll go on here.

I want to talk about the section on corporate information and information technology. It's a pretty important part, a complex part. I'm trying to follow the numbers here, actually, and I need your help. The program is said—I'm just reading the introduction—to provide advice and leadership on information management and information technology in government. It's something that hasn't happened since 2003—it's been ongoing, as we've already established. There are still problems. The NDP asked a question about the ministries sharing stuff with the police, the cruisers. All this stuff is available. It's a matter of propriety or security—and you mentioned Guelph.

Anyway, the difference in the estimates is where I'm getting the problem. If I look in the estimates—I'm looking at page 58 in the results-based briefing book here—it shows that there is a change of \$52 million, which isn't much in the scheme of things, but it's a lot of money for Ontarians and it's taxpayers' money. Will the ministry account for the change in spending and what new programs and initiatives this \$52 million is going to bring forward, specifically, in as short a time as possible? What do I get for \$52 million?

**Hon. Harinder S. Takhar:** That's a very good question. Let me say first that we need to make investments in our I&IT systems, because the current systems are old. If they break down, we won't be able to provide the kind of service that we need to provide to Ontarians. So we are moving in a very systematic way to take each of those systems, the major application systems, and then convert them into new systems. That's why the investment is needed. So \$37 million of that increase is related to enterprise-based key technology systems, out of the \$52 million. Then the \$7.8-million increase is to fund the next-generation government mobile communication project, which is also required by the Ministry of Community Safety, and the \$7.2-million increase is related to the transition project and maintenance of the Guelph data centre. We are building a Guelph data centre, which is also, again, a very important part of the overall strategy for information technology for the security of our systems.

I'm sure the deputy minister wants to add a lot more and tell you—

**Mr. John O'Toole:** We only have a limited time here, so I'd appreciate a quick answer.

**Mr. Ron McKelvie:** We talked about the major application portfolio strategy earlier. We spoke of the key



applications that the government was looking to replace and what they would mean for the people of Ontario in terms of faster cheques and their driver's licences and so on. The biggest chunk of that, the \$37 million, relates to those key technology systems and the cost for the next year to work on those. The government mobile communication project, which is the next-biggest chunk, is the land-based radio systems that are used by the OPP for communication amongst their cruisers, but also other systems like ambulance dispatch and things like that. That's what that piece is. This is a system that's coming to end of life, probably in the next three or four years, so it's getting ready to replace that.

**Mr. John O'Toole:** That's the problem with a technology solution. It's like trying to catch a rabbit: When you get one, there are four more of them. The BlackBerry is a good example, and the iPhone and the iPad and all the rest of it. It's not the panacea. I was on the Smart Systems for Health board when we were government, and I can tell you they just spent money like it was water. I don't think we can find it in here. I'm not blaming you. But I'm saying it's so big and so demanding to build the infrastructure, human as well as technical. Good luck to you.

Anyway, on agencies, boards and commissions, I know you're doing your best. We'll try and keep an eye on it. Maybe sometimes you could float me one of those soft questions and I'll ask it. You'll say, "Gee, the opposition is pressing me to get this information out there." I'll look good; you'll look good. What the heck.

**Hon. Harinder S. Takhar:** Thank you for the suggestion.

**Mr. John O'Toole:** Well, there you go. I have email; you can send it to me. I'll say it came in a brown envelope.

Anyway, I'm on agencies, boards and commissions now. This is on page 80, and this is the section here where you look after all these tribunals, or you're supposed to. As the ministry has undergone numerous changes over the past few years, there has been confusion as to which branch of the organization agencies, boards and commissions are associated with. The branches and offices portion of the MGS website has not been updated since June 2009, approaching a whole year. As well, the website included the Alcohol and Gaming Commission as a branch of this ministry. However, looking through the expenditures in estimates, it's no longer associated with MGS.

**Hon. Harinder S. Takhar:** That's right.

**Mr. John O'Toole:** But it is in here partially. Some money is still showing in there. I don't know if it's a part year—is this done deliberately? I'm an ordinary guy. I'm not a CA or anything like that—well, you're not a CA either—but could the minister table a list of every agency, board, commission and branch that the ministry mandate covers? I want that.

At the very least, considering the extremely large staff in this ministry—some would say too much; it's almost 5,000—could they update their website for clarification?

Because you're spending all this money on technology. I can't find anything. If I look in this little book here—or the big book—it's sort of like trying to find your way out of a maze. Do you understand? It really is a cornfield here without an entrance point. So there are a couple of questions for you, but no real answer.

The business service program: I was at one of your announcements and—whatever. Those are questions. Don't ignore that.

**Hon. Harinder S. Takhar:** No, no.

**Mr. John O'Toole:** I hope somebody here is taking notes.

**Hon. Harinder S. Takhar:** Actually, we can answer some of those questions, if you'd like.

**Mr. John O'Toole:** Well, it would probably take too long to answer them.

A direct quote from the ministry: "develop and implement operational procedures, policies, guidelines, best practice and tools to facilitate consistent application of the procurement policy framework"—this is a quote from you, actually—"... leadership supply chain management strategy, including support of the supply chain leadership council." And this is a quote directly from you. Could you maybe tell me what that means? I know you talked a bit about the procurement issue here earlier.

**Hon. Harinder S. Takhar:** The leadership—what is it, exactly?

**Mr. Ron McKerlie:** Supply chain leadership council.

**Hon. Harinder S. Takhar:** Supply chain leadership council. The main objective is for them to look at all the procurement contracts over \$1 million so that we can ensure that we are spending the money wisely and effectively.

It is a council that is headed by our ADM responsible for procurement, along with other ADM colleagues from the major ministries. They look at all the expenditures over \$1 million and the procurement process we are following for those over \$1 million.

**Mr. John O'Toole:** There was a question earlier by Paul here. He was talking about the finance plan. It's got some name under the Ministry of Finance where it's coordinated procurement—I forget the term, but Paul used it earlier today. He said it has got nothing to do with this. It's finance—

**Hon. Harinder S. Takhar:** You're talking about shared service—

**Mr. John O'Toole:** No, it wasn't shared service.

**Interjection:** Ontario Buys.

**Hon. Harinder S. Takhar:** Ontario Buys.

**Mr. John O'Toole:** Yes, Ontario Buys. That's under the Ministry of Finance, and I've seen that. But there again, it's not clear to us lay people here. I mean, you have five or six people making a quarter of a million sitting around here giving you—so you probably know the answer, or at least you've memorized it. The point I'm trying to make, though, is that we can't get this.

What you've just said now about this supply chain leadership council's objective—in fact, we had World-wide Purchasing when I was with General Motors.

Worldwide looked at the best source quality indexes and all these other measurements. It's probably the way to go, but who's running it? Are you running it, or is Dwight Duncan running this corporate strategy on leadership and supply chain—

**Hon. Harinder S. Takhar:** It is in our ministry.

**Mr. John O'Toole:** It's in your ministry.

**Hon. Harinder S. Takhar:** Yes.

**Mr. John O'Toole:** Would that be for consultants, technology, suppliers?

**Hon. Harinder S. Takhar:** Yes, this is for any procurement over \$1 million.

**Mr. John O'Toole:** Would that be across the broader public sector, like the MUSH sector, or just your own functions?

1740

**Hon. Harinder S. Takhar:** Yes; everyone in government.

**Mr. John O'Toole:** How about MTO? They're kind of the biggest spender on—

**Hon. Harinder S. Takhar:** Yes, they are part of that.

**Mr. John O'Toole:** They're part of it? So you look at all these contracts—how is the funding for something like Metrolinx? This is going to shelve this province. It's about \$5 billion a year if you look at the MoveOntario plan. Would you be in charge of all those contracts?

**Hon. Harinder S. Takhar:** No. That is being handled by the—

**Mr. John O'Toole:** Would it be MTO or you?

**Hon. Harinder S. Takhar:** No, the MTO.

**Mr. John O'Toole:** MTO. That's a big chunk of change over the next while; \$5 billion a year is what they want. You're already short \$21 billion, and I know he cancelled it for this year. The Toronto transit system is very upset; David Miller as well.

**Hon. Harinder S. Takhar:** We started with \$5.6 million short, right?

**Mr. John O'Toole:** Whatever. Anyway, again on the technology side, where are the best places to look in these votes—I'm looking at a single page here of all the votes—to find the technology piece? Because if I look at the commonalities here, that's the biggest piece that we have to be able to keep an eye on. That's first; you can tell me that in a memo or something. But how do I measure? Is it reported to quarterly? Who is it specifically in your ministry? Is it you or is it some specific deputy? Is it ServiceOntario? Is it biz, or whatever it's called?

**Hon. Harinder S. Takhar:** All the major information technology projects are reported quarterly to the treasury and Management Board. It goes from our ministry to the treasury and Management Board, and basically, what it talks about is what the size of the project is, whether the project is on time, on spec, on cost, and what progress is being made from quarter to quarter. The deputy minister can tell you a little more about it.

**Mr. Ron McKerlie:** There are 22 IT projects over \$10 million that are currently being reported to treasury board/Management Board of Cabinet, but half of those would be within the OPS. We also track and report on

e-health projects, so the members would get an update in terms of how those projects are going.

The member also asked for us to table a list of MGS agencies, boards and commissions. That information is found on pages 17, 18 and 19 of the results-based plan briefing book, so I just draw the member's attention to that, and we'll consider that request fulfilled.

**Mr. John O'Toole:** That's part one of one of the previous questions I had there.

Yes, they're all listed here. I did go through those, too, actually. I guess I was looking for the oversight function in the ministry. If those are current and accurate, then I should be able to say that these are the people who are on those agencies—the chair, who is a politically appointed person—and I should be able to question you, in writing, to—for instance, there's a whole deal on the Alcohol and Gaming Commission here, which is where I'm most troubled. There have been a couple of people who either quit or were terminated or suspended, or whatever. They probably got huge severances. Where do I find this stuff out without spending that \$9,000 that I mentioned earlier this morning? This is troubling. There's something wrong with that. It's clear: It's wrong. I'm not even a forensic auditor—

**Hon. Harinder S. Takhar:** The Alcohol and Gaming Commission is actually part of the Ministry of Consumer Services.

**Mr. John O'Toole:** Okay. It's in here, though, but it's not yours.

**Hon. Harinder S. Takhar:** Last year, it was in our budget but from this year, it's being transferred to the—

**Mr. John O'Toole:** I'll have to get a hold of whoever that is. Okay, we're moving along here and kind of running out of time.

**The Chair (Mr. Garfield Dunlop):** Seven minutes.

**Mr. John O'Toole:** We've got the disclosure online presence. Recently, you responded to one of my order paper questions tabled on March 11 regarding the cost of Ontario's online presence. However, your response merely indicated the number of online transactions completed every month; it did not indicate costs. That's still an unanswered question. I find that a lot of those are just—I know that you sign off on them.

Minister, what is the cost of building and maintaining the website required for Ontario's online presence, where two million transactions occur online each month? What's the cost of that? Do you have a cost per transaction of these inquiries? And are they recoverables?

**Hon. Harinder S. Takhar:** Let me refer to the DM. He might have a little bit more information than I have—

**Mr. John O'Toole:** You've got a unit cost at the front of the thing of how much per capita you're spending on technology, which is a false number, really. As the population grows, your number goes down, because population grows 27,000 people, one of your people over here said. So what's the cost per transaction—\$2 million a month?

**Mr. Ron McKerlie:** I don't have the numbers with me.



**Mr. John O'Toole:** But you can supply something like that?

**Mr. Ron McKerlie:** We can certainly look into seeing if—

**Mr. John O'Toole:** If you're the best in the world, are we competitive on the cost per—that's the number. We need to have dollar values. Some \$2 million in transactions per month is actually a good sign.

Corporate information technology: That's on page 58 of your briefing book. Again, if I look at corporate information and technology, the very first line on there—this isn't a vote number—is a 13.9% increase. The next one is 150%. They're not large, large numbers. It's off by a few million in the overall scheme of things. Under "capital," it's up considerably. Could you give me some idea? Those are large numbers.

**Hon. Harinder S. Takhar:** Which page are you on?

**Mr. John O'Toole:** Page 58 in this book here.

**Mr. Ron McKerlie:** I think that's last year's book.

**Mr. John O'Toole:** Yes, okay. Pardon me. I've spent all that time reading the wrong book.

**Hon. Harinder S. Takhar:** That's why you have the wrong questions, too.

**Mr. John O'Toole:** No, it could very well be—I apologize. How come I didn't get this?

**The Chair (Mr. Garfield Dunlop):** We did.

**Mr. John O'Toole:** We did? Honest to God, I'm sure my staff—they're fired now.

Anyway, these questions were dealt with about a week or so ago—

**The Chair (Mr. Garfield Dunlop):** Four minutes left.

**Mr. John O'Toole:** Okay, struggling along. Some of the questions have hit, though. I have a better handout here.

I'm just going to go back to the drawing board in terms of some of the—can you provide us a list of these agencies that—you said you're down so much in these consultants. I forget the actual numbers that you used.

**Hon. Harinder S. Takhar:** It's \$350 million.

**Mr. John O'Toole:** Yes. They're down quite a bit. Are some of the agencies using consultants now?

**Hon. Harinder S. Takhar:** The agencies that are under our responsibility are actually very small agencies.

**Mr. John O'Toole:** If they're using consultants, would that show on their annualized budget?

**Hon. Harinder S. Takhar:** Yes.

**Mr. John O'Toole:** It would show in your budget somewhere?

**Hon. Harinder S. Takhar:** It would be on theirs.

**Mr. John O'Toole:** I should be able to find that in there.

**Hon. Harinder S. Takhar:** It will be on their budgets.

**Mr. John O'Toole:** Yes, it will be on their budget. Right. And that's what I'm saying. You're going to be reporting those all online.

**Mr. Ron McKerlie:** The 10 agencies that report to MGS—if that's what you're talking about—will be the ones listed in the current year's report on pages 17, 18 and 19. Those agencies would use minimal, if any, con-

sultants. Some of the larger operating agencies would use consultants. Those costs would be consolidated on their books and the ministry responsible for that agency should be able to answer those questions.

**Mr. John O'Toole:** You were saying that you do monitor and report, in some of the contracts, the eHealth stuff as well. You're kind of overseeing the expenditures in eHealth now?

**Mr. Ron McKerlie:** When we get asked for help from eHealth directly, we can certainly support them. We are helping them with some of the IT work as well. They have their own board and their board provides oversight to the agency and governance around their costs.

**Mr. John O'Toole:** I guess that is a serious blow to my inquiry today, not being as prepared and the wrong book. Thanks for pointing that out, Chair. It's still roughly the same thing. It's the accountability part of it that is most stressful.

Just on the summary, the last thing here: I know how important the BizPaL part is. I was at your announcement and I thought you had a good working relationship with your federal counterpart and it seemed unnecessary to be critical of something that is a good idea. You're saying that currently 77% of Ontarians have access to this service through their municipal jurisdiction. Do you fund those? There are different regions, some of these different service areas. Do you fund municipal partners in this stuff?

**Hon. Harinder S. Takhar:** BizPaL is a very important initiative from the Open Ontario perspective. We want to make life for business people easier, so what we are saying to them is that if you need any information about opening a business or expanding a business, then we can provide you the information, whether it's about Ontario, whether it's about the federal government, or whether it's for the municipalities. You can go to the system and say that you want to open a business here and this is the kind of business you want to open, and it will tell you what the licensing requirements are for that business.

It is very helpful from that point of view. It's actually a joint project between the federal government, the province and the municipalities.

**Mr. John O'Toole:** Do you fund some of the service providers and regions? These are economic development departments or other groups, maybe even under the umbrella of the regional economic development department.

**Hon. Harinder S. Takhar:** The Ministry of Economic Development funds it. When I was the Minister of Small Business and Entrepreneurship, some of the responsibility fell under us. We fund some of the economic development. We provide some assistance to them, yes.

**The Chair (Mr. Garfield Dunlop):** Okay. Minister, thank you so much. Thank you to Mr. O'Toole from the official opposition. We will adjourn now until tomorrow afternoon, right after routine proceedings.

*The committee adjourned at 1750.*











## CONTENTS

Tuesday 11 May 2010

|                                      |     |
|--------------------------------------|-----|
| Ministry of Government Services..... | E-5 |
| Hon. Harinder S. Takhar              |     |
| Mr. Ron McKerlie                     |     |
| Mr. Bob Stark                        |     |
| Ms. Marian Macdonald                 |     |
| Ms. Angela Coke                      |     |

### STANDING COMMITTEE ON ESTIMATES

#### Chair / Président

Mr. Garfield Dunlop (Simcoe North / Simcoe-Nord PC)

#### Vice-Chair / Vice-Président

Mr. Robert Bailey (Sarnia–Lambton PC)

Mr. Robert Bailey (Sarnia–Lambton PC)

Mr. Gilles Bisson (Timmins–James Bay / Timmins–Baie James ND)

Mr. Jim Brownell (Stormont–Dundas–South Glengarry L)

Mr. Kim Craiton (Niagara Falls L)

Mr. Bob Delaney (Mississauga–Streetsville L)

Mr. Garfield Dunlop (Simcoe North / Simcoe-Nord PC)

Mrs. Amrit Mangat (Mississauga–Brampton South / Mississauga–Brampton-Sud L)

Mr. Phil McNeely (Ottawa–Orléans L)

Mr. John O'Toole (Durham PC)

#### Substitutions / Membres remplaçants

Mr. Bill Mauro (Thunder Bay–Atikokan L)

Mr. Paul Miller (Hamilton East–Stoney Creek / Hamilton-Est–Stoney Creek ND)

#### Clerk pro tem / Greffier par intérim

Mr. William Short

#### Staff / Personnel

Mr. Avrum Fenson, research officer,  
Legislative Research Service

XC26  
E77



ISSN 1181-6465

**Legislative Assembly  
of Ontario**  
Second Session, 39<sup>th</sup> Parliament

**Assemblée législative  
de l'Ontario**  
Deuxième session, 39<sup>e</sup> législature

**Official Report  
of Debates  
(Hansard)**

**Journal  
des débats  
(Hansard)**

**Wednesday 12 May 2010**

**Mercredi 12 mai 2010**

**Standing Committee on  
Estimates**

**Comité permanent des  
budgets des dépenses**

**Ministry of Government Services**

**Ministère des Services  
gouvernementaux**



Chair: Garfield Dunlop  
Clerk pro tem: William Short

Président : Garfield Dunlop  
Greffier par intérim: William Short



### **Hansard on the Internet**

Hansard and other documents of the Legislative Assembly can be on your personal computer within hours after each sitting. The address is:

<http://www.ontla.on.ca/>

### **Index inquiries**

Reference to a cumulative index of previous issues may be obtained by calling the Hansard Reporting Service indexing staff at 416-325-7410 or 325-3708.

### **Le Journal des débats sur Internet**

L'adresse pour faire paraître sur votre ordinateur personnel le Journal et d'autres documents de l'Assemblée législative en quelques heures seulement après la séance est :

### **Renseignements sur l'index**

Adressez vos questions portant sur des numéros précédents du Journal des débats au personnel de l'index, qui vous fourniront des références aux pages dans l'index cumulatif, en composant le 416-325-7410 ou le 325-3708.

---

Hansard Reporting and Interpretation Services  
Room 500, West Wing, Legislative Building  
111 Wellesley Street West, Queen's Park  
Toronto ON M7A 1A2  
Telephone 416-325-7400; fax 416-325-7430  
Published by the Legislative Assembly of Ontario



Service du Journal des débats et d'interprétation  
Salle 500, aile ouest, Édifice du Parlement  
111, rue Wellesley ouest, Queen's Park  
Toronto ON M7A 1A2  
Téléphone, 416-325-7400; télécopieur, 416-325-7430  
Publié par l'Assemblée législative de l'Ontario

## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
ESTIMATESCOMITÉ PERMANENT DES  
BUDGETS DES DÉPENSES

Wednesday 12 May 2010

Mercredi 12 mai 2010

*The committee met at 1615 in room 151.*

## ELECTION OF ACTING CHAIR

**The Clerk pro tem (Mr. William Short):** Good afternoon, honourable members. It's my duty to call upon you to elect an Acting Chair. Are there any nominations? Mr. Mauro.

**Mr. Bill Mauro:** Mr. Clerk, I would nominate Mr. Ernie Hardeman.

**The Clerk pro tem (Mr. William Short):** Mr. Hardeman, do you accept the nomination?

**Mr. Ernie Hardeman:** Yes.

**The Clerk pro tem (Mr. William Short):** There being no further nominations, I declare the nominations closed and Mr. Hardeman elected Acting Chair of the committee.

**The Acting Chair (Mr. Ernie Hardeman):** Good afternoon. It's great to be here. First of all, I want to thank the committee members for their great confidence in electing me as Acting Chair.

## MINISTRY OF GOVERNMENT SERVICES

**The Acting Chair (Mr. Ernie Hardeman):** We'd like to welcome the minister. Today we will continue with vote 1801 for the Ministry of Government Services. We'll start with questions from the member from the third party, Mr. Miller.

**Mr. Paul Miller:** My first line of questioning would be in reference to the green office. I'd like some detailed information on these pilot projects. What is the program? Where is it operating? Who's overseeing it? What are the targets for the program review? And the first one I'd like to discuss is telecommuting.

**Hon. Harinder S. Takhar:** Thank you very much for asking this question.

Let me just first say I think the OPS has been a leader on the green office side, and that's why they won the Canada's Greenest Employers of 2010 award. This award is a testament to the hard work and dedication of the people who are working to reduce the environmental footprint of the Ontario public service. There are many reasons for selecting the Ontario public service for this award. Let me just outline them; it might answer some of your questions.

The creation of the Ontario public service green office was in September 2008, so it's first in its own right. The

Ontario public service green transformation strategy focused on targeted reduction of the Ontario public service environmental footprint, creating sustainable business practices, and creating a green organization culture in the Ontario public sector. There's a wide range of Ontario public-service-wide and ministry green initiatives, including the diversion of over one million pounds of electronic waste from landfills and creation of the Think Green Internet site to engage and educate employees.

The goal for going green is to shrink the environmental footprint of the Ontario public service by reducing our greenhouse gas emissions and reducing our impact on the environment. The government is reviewing all key areas of consumption, including energy, fuel, printing and the use of electronic devices, as priorities for reducing our environmental footprint.

I'm going to ask the deputy minister to take you through the details to tell you exactly where it is in the ministry and what we have achieved.

1620

**Mr. Paul Miller:** I really don't need you to describe all the wonderful things about the program. What I need are the answers to the questions I asked. I'm aware of the program and those types of things. What I asked was—and I'll reiterate for you—what is the program? Where is it operating? Who's overseeing it? What are the targets for the program review? I don't believe you touched on any of those in your opening statement, so if you could do that, I'd appreciate it.

**Hon. Harinder S. Takhar:** Okay. I will ask the deputy to do that.

**Mr. Ron McKerlie:** Thank you very much. Good afternoon, everyone.

What is the program, where is it operating—I'm sorry, the third question was?

**Mr. Paul Miller:** Who is overseeing it? What are the targets for program review?

**Mr. Ron McKerlie:** Thank you very much.

**The Acting Chair (Mr. Ernie Hardeman):** If I could ask, when we have a new speaker, if you could introduce yourself for Hansard so we know who is speaking.

**Mr. Ron McKerlie:** Absolutely. My name's Ron McKerlie. I'm the Deputy Minister of Government Services, the associate secretary of cabinet, and the secretary of Management Board.

**The Acting Chair (Mr. Ernie Hardeman):** Thank you very much.



**Mr. Ron McKerlie:** The green office is a part of MGS. There are a total of 13 full-time equivalents who work out of 777 Bay—that's where they're located. They have a budget of about \$1.5 million a year to run that entire section. It's overseen by an assistant deputy minister, Neil Sentece, who reports to me. Neil and his team are responsible for the implementation of a multi-year OPS green transformation strategy. This is a strategy that's focused on reducing greenhouse gas emissions from government operations and delivering business improvements that support and align to our broader climate change action plan.

The types of programs, for instance, that they would run, that they would have targets around, would include the reduction of electricity. So one of the programs that we put in place was to have all of the computers automatically go to sleep if they're not used for I think 15 minutes. That saves us 19 million kilowatt hours of electrical power every year, that single program.

Another target they have is around reduction of paper. Currently, the OPS is a big user of paper: 700 million pieces of paper a year. Our goal is to cut that in half. So they implemented things like double-sided printing, making that mandatory. They're reducing the number of printers. They're taking out fax machines and moving to electronic delivery of faxes in the Ontario public service, and moving to scanners and technology that will reduce or eliminate the amount of paper in use.

**Mr. Paul Miller:** So this basically is salvaging power. That's what this is all about. This particular group is taking care of recycling, salvaging. That's their mandate.

**Mr. Ron McKerlie:** Part of it is reducing power consumption. Part of it is reducing consumables. Water and paper would be the two of the largest ones.

**Mr. Paul Miller:** That's a good answer. The next group would be enterprise video conferencing. What are you doing there? The same line of questioning.

**Mr. Ron McKerlie:** We have a number of programs in place right now for enterprise video conferencing. We work with commercial suppliers putting video conferencing in locations where there's a high likelihood that a video conference facility would reduce travel. For example, right now there's a pilot being run between Thunder Bay and Toronto using gear in both locations. Thunder Bay-Toronto is our number one end-to-end travel destination, so the goal is to reduce the number of air trips between Thunder Bay and Toronto.

We're also testing smaller scale video conferencing that we would use in boardrooms, for example, to try—even within cities—stop people from having to travel from location to location for meetings. The next phase is to test, in some cases, individual video conferencing. These would be the types of webcams, for example, that you might be familiar with in a personal setting. The goal of all of that is to reduce the cost of travel, primarily airfare, but also intercity taxis, car travel and so on.

We also use video conferencing for a number of other uses. Telemedicine would be one that you might be familiar with, which is used primarily in the north and in

communities where it's difficult to get to a doctor. We also use it for justice on demand. We have a number of these video conferencing units that are set up in our detention centres in the province so that, rather than transporting people who are being held awaiting trial in our correctional facilities to the courts, they do the video remand process, which allows us to, obviously, keep vehicles off the road—

**Mr. Paul Miller:** Thanks. I think I get the drift on that one.

Number 3 would be e-waste disposal, and I guess that also hinges into power management. Maybe you could do them both the same. I'm sure there would be overrides on both for those two.

**Mr. Ron McKerlie:** Our goal is to divert as much electronic waste as possible to keep it out of the landfill sites. The OPS is a big consumer of technology, PCs, laptops and other machines that would have heavy metals and so on in them. Right now, we are diverting 82% of our waste out of OPS buildings from landfills and we're doing that through waste reduction programs and recycling programs to reduce, reuse, recycle and compost waste materials.

We also have a very specific e-waste program that deals with electronic waste. We use a company that will recycle 100% of the parts of computers, for example, when they come off lease or when we're done with them—when they reach end of life. So far, we've recycled over 500,000 kilos of electronic waste. They take out the precious metals, the heavy metals. They recycle all of those, and then the plastics and the steel and the other parts of those units are recycled as well.

I'm sorry. Could you just remind me—

**Mr. Paul Miller:** No, that pretty well covers that section. I think you kind of overlapped both, which took in what I wanted to ask.

The next question: What are you doing to reduce the government's carbon footprint by 27% by 2020? Maybe you could give me some details on that program.

**Mr. Ron McKerlie:** Sure. There are several big areas that contribute to the government's carbon footprint. Buildings would be one, and the HVAC footprint related to running and operating government buildings. The other one would be our fleet of vehicles that the government runs.

The green fleet strategy was approved by our Management Board of Cabinet in 2007 and contains very specific reduction targets to reduce fuel consumption and greenhouse gas emissions. The key aspects of the green fleet strategy include what we call fleet rightsizing targets. This is to eliminate older, less fuel-efficient vehicles and select the right vehicle for the right use.

We have a hybrid vehicle strategy and we also have use of alternative fuels and technologies like E85 fuel and driver education and awareness programs that are targeted at helping people to drive and use less fuel in the process.

As of January 25, 2010, the OPS vehicle fleet consisted of 748 hybrid vehicles, which includes one electric

hybrid vehicle. This places the OPS significantly ahead of the target of 325 hybrids within the fleet by 2012.

In partnership with MTO, the Ministry of Transportation, we've implemented an OPS-wide fleet management system, which contains key fleet information in order to track, monitor and improve GHG emission rates of the OPS fleet and overall fuel efficiency.

In partnership with MTO, we've delivered 48 green driver training courses to over 700 OPS vehicle drivers covering driving actions and habits to help drivers be more responsible in reducing fuel consumption and environmental impact. In addition, the OPS green office is supporting the Ministry of Transportation's pilot of anti-idling technologies in its fleet vehicles.

We also have specific reductions around electricity consumption, to your point. In April 2004, the government of Ontario announced a 2007 target date for a 10% reduction in electricity consumption in the buildings that it owns, and by March 2007, the Ontario Realty Corp. advised that the OPS had exceeded this goal, reducing consumption by 12%. The government has subsequently committed to reduce energy consumption by another 10% by 2012.

1630

We talked a little bit about the OPS power management strategy. That was part of it to reduce the use of electricity through our CPUs, our computers. This has saved, as I mentioned, 19 million kilowatt hours per hour of energy. We've also banned the purchase of incandescent light bulbs for Ontario government facilities. That was done back on April 18, 2007. We're now using the compact fluorescent bulbs, which use approximately 75% less electricity.

**Mr. Paul Miller:** Okay, thank you. That's good on the electricity savings. I think I understand that fully.

I'd like to move on. Yesterday, I asked specifically about the information and privacy commission's Privacy by Design program, but I didn't get an answer. I'll ask again today, and I'd like a full answer. If you're not able to answer the question, then I would ask that legislative counsel or the legislative researcher provide the answer within the next three business days.

My question is: Who holds the trademark, the copyright, for Privacy by Design?

**Mr. Ron McKerlie:** I'd like to ask Dr. Mark Vale, who's our chief information and privacy officer, to join me at the table. Dr. Vale is the individual who works with Dr. Ann Cavoukian and her assistants at the information and privacy commission and has some of the details on Privacy by Design. Mark?

**Dr. Mark Vale:** My name is Mark Vale, chief information and privacy officer for the government of Ontario. Privacy by Design was a concept that was introduced in the mid-1990s. The trademark is actually owned by an individual, Peter Hope-Tindall, who, in those days, was a private sector consultant on privacy issues. The Information and Privacy Commissioner, however, has heavily promoted this concept as a sensible way of ensuring that personal information is protected in program and

systems design. In fact, within the Ontario government, we require every new program and every new system to conduct a privacy impact assessment. The privacy impact assessment is, in fact, the Privacy by Design principle, and we've required that since 1998—

**Mr. Paul Miller:** Dr. Vale, can I ask you a question? This patent is not owned by the government of Ontario?

**Dr. Mark Vale:** No.

**Mr. Paul Miller:** Okay. So this program that has been developed using public money is the copyright property of the commissioner. I think we have a serious problem here. Usually, when a person is working for an organization, any program, invention or other such thing that they develop is the property of the employer. Public money has been used to create and develop this trademark and it is, by my figuring, the property of the government of Ontario.

I ask that the minister take all appropriate action to fully investigate this, have the copyright taken back in-house as the property of the government of Ontario to be used only when the government expenses with prior written permission. I would like to see this done. I feel that this should not be an individual's copyright when we're using government money. I have a problem with—

*Interjection.*

**Mr. Paul Miller:** This is my time, thank you.

I'd like some answers on that, if possible.

**Hon. Harinder S. Takhar:** We will look into that and see when it was done and for what reasons it was copyrighted under their name.

**Mr. Paul Miller:** I'd appreciate that.

Go ahead, Dr. Vale. Sorry for interrupting you. If you have anything to add to that, or did I hit it on the head?

**Dr. Mark Vale:** We don't have a Privacy by Design program, and we don't use that terminology. The commissioner promotes that in her speeches around the world on privacy. The Privacy by Design principles are to identify risk and develop appropriate mitigating strategies in both system design and program design. It is a concept that we have used in the Ontario government in our privacy impact assessments and the methodology around those assessments since 1998.

**Mr. Paul Miller:** Would that funding, required in your programs or your research, have been taxpayers' money?

**Dr. Mark Vale:** Yes, but not subject to any trademark or copyright on the Privacy by Design trademark, but—

**Mr. Paul Miller:** Could that individual who had the copyright or trademark working in conjunction with the government utilize some of the material that you developed over the years to enhance their program, to go worldwide and use it under their flag as a copyright?

**Hon. Harinder S. Takhar:** You are making a good point. We'll look into that and see when this concept was copyrighted, and—

**Mr. Paul Miller:** This is a serious matter—

**Hon. Harinder S. Takhar:** No, no.

**Mr. Paul Miller:** —because this is involving a lot of money.



**Hon. Harinder S. Takhar:** And who did it and what, if anything, can be done.

**Mr. Paul Miller:** Thank you, Dr. Vale.

My next question is accountability. Funny I come up with that next, but anyway, I'd like a description, in detail, of the travel, meal and hospitality expenses directive.

I'd also like to ask the minister or deputy ministers: Do you have, in your ministry, any performance bonuses? Do you have any of that in there for executives?

**The Acting Chair (Mr. Ernie Hardeman):** We are approaching—

**Mr. Miller:** The deadline?

**The Acting Chair (Mr. Ernie Hardeman):** About two minutes.

**Mr. Paul Miller:** Okay. I'm sure they'll be glad to move on.

**Hon. Harinder S. Takhar:** Well, no.

*Interjection.*

**Mr. Paul Miller:** Was that a yes or a no? Do you have any bonus plans in your ministry, performance-enhanced bonuses?

**Hon. Harinder S. Takhar:** Let me give it to the DM; he can give you details. There are performance incentives for senior management, and he can give you the details. It's for all OPS—not all OPS employees, but the senior OPS employees.

**Mr. Paul Miller:** I know that you have made some accountability measures with travel, meal and hospitality expenses. I know you've moved in that direction. I'd like to hear a little more about the bonus incentives.

**Mr. Ron McKerlie:** We've been asked two questions. Which question would you like—

**Mr. Paul Miller:** Well, you can do either one; I don't care. Go ahead.

**Mr. Ron McKerlie:** The government did release a revised travel, meal and hospitality expenses directive, effective April 1, which provides a stronger and simpler set of expense rules for employees at ministries, employees and appointees at classified agencies, consultants and contractors to ministries or classified agencies, and designated persons in all organizations prescribed by regulation under the Public Sector Expenses Review Act, 2009. The revised directive is part of the Premier's fall 2009 commitment to implement additional accountability measures to ensure taxpayer dollars are used wisely.

The main changes to the directive include the following: first, the expansion of the scope to include designated persons in all organizations prescribed by regulation under the Public Sector Expenses Review Act, 2009; secondly, the authorization to disclose information about expenses on a public website for designated senior managers in ministries, designated persons prescribed by regulation under the Public Sector Expenses Review Act, and designated persons in designated classified agencies. A change to the approval is required for all ministries, classified agencies and those entities designated under the Public Sector Expenses Review Act. Organizations wishing to serve alcohol, for example, at a hospitality

event must obtain prior written approval from the deputy minister of the relevant ministry. That's now required; that's a new change.

Tighter timelines are put in place as well for submitting claims. The rules have also been clarified to ensure greater understanding and compliance.

So there is prior written approval now required for the service of alcohol at hospitality events and prior written approval required for international travel. There's enhanced information on the exercise of managerial discretion. There's a clarification that prior approval for meals is required when travel is a regular part of the job, so that—

**The Acting Chair (Mr. Ernie Hardeman):** Thank you very much. That concludes—we've gone considerably over, but I'm sure that question would come up again anyway. Thank you, for the record, that it's there.

We now will go to the government side, Mr. Brownell.

**Mr. Jim Brownell:** Thank you, Chair. Good afternoon, Minister. This is a great opportunity to investigate and to understand what's going on in your ministry.

I have a couple of questions that relate to something very near and dear to my heart: the Archives of Ontario. Before arriving here at Queen's Park, I had many, many opportunities to work with the archives in their holdings down at 77 Grenville. That address is well etched in my memory, having spent many hours there in university research back in the 1980s.

1640

I do know that the archives have now moved to a new location. I haven't been out to the new location. I understand it's quite a piece out from the downtown, where it was before. But I do want to say, before asking the questions, that the staff at the archives do absolutely wonderful work and I want to congratulate them, through you, for their good work.

In fact, this past year, I had an opportunity of seeing some of the good work. I discovered that my great-great-uncle served here as a member of provincial Parliament for 19 years, through five different elections—he was elected five times—and I had no idea that his portrait was hanging upstairs until I was doing some research and there he was. I discovered that it was the Archives of Ontario that hold all these paintings and pictures and whatnot in their holdings, and they are just basically on loan here, so to speak—on display for sure.

But in moving out to the new location, I'm just wondering, why the move? Why was it necessary? I've heard some things, but I haven't had a full scope of an understanding there. Also, what benefits have been derived from that move? Certainly, as I said, I spent a lot of time down at 77 Grenville and know what the location was like, but I'd like to learn a little bit more, and I think the members of this committee would like to know a little more, about that move, which took place, I think, just last year.

**Hon. Harinder S. Takhar:** Let me just talk a little bit first about what the purpose of the archives is. The archives is responsible for managing, storing, conserving,



arranging, describing and providing access to Ontario's documentary history. It's valued at almost \$41 million. The kinds of record that they keep there are recording births, confirming deaths, verifying divorces, documentation of ownership, detailing cabinet decisions, documenting court proceedings, assisting police investigations, and fulfilling other obligations such as legal and research purposes. And you said your uncle's picture was there; I'm sure your picture is there too.

**Mr. Jim Brownell:** Actually, it's right across the—

**Hon. Harinder S. Takhar:** Yeah, all the records are there. The records provide the basis for all historical research, so, you know, maybe two generations later, if somebody wants to see if you were a member of provincial Parliament, they should be able to find it.

They record the development of Ontario in all its diversity and complexity. The archives include the government of Ontario's art collection as well, which dates to the middle of the 19th century and now comprises approximately 2,600 artworks estimated to be worth at least \$16 million, and some of the pictures that you see in the cabinet offices belong to the archives records as well. You can borrow some of those, the paintings from there, for the offices, on loan.

The archives is mandated through ARA to make its collections available to the public. Refusal to grant access is affected by the Freedom of Information and Protection of Privacy Act. Any other legal restrictions are by agreement with the donor of a private collection.

Because it is such an important part of our record and history, we wanted to make sure that it was kept in a place which is adequate from the point of view that you go and search the records, and the space that we had in downtown Toronto was really not adequate. What we have done is we have actually built a building which is basically suited for these kinds of records, so if you go in there, it's a very secure place.

What are some of the advantages? This is situated at York University's Keele campus. It has more empty space; it has improved facilities. The archives now has a much larger reading room, an exhibit gallery, and a classroom space that facilitates a broad variety of educational initiatives. Actually, I had the great opportunity of opening it when we moved up there, and it is a beautiful facility. There were a lot of people who were really using it who were interested in the history of Ontario and so on.

The Archives of Ontario has been collecting, preserving and providing access to the province's history since 1903. As the guardian of Ontario's documented memory, the archives is consistently striving to bring the past to life by promoting excellence in record-keeping and custodial practices. Our customers, our collections, and our ministry's strong commitment to the modernization of government operations were the driving force behind the move to our new home. For the first time in its 107-year history, the archives has a state-of-the-art building equipped to properly protect and showcase our incredible holdings for the benefit of our diverse customer groups, and it's the history that we're trying to preserve.

I'm going to ask the deputy minister to talk a little bit about the functions of the Archives of Ontario and so on.

**Mr. Ron McKerlie:** As the minister said, we moved into the new facility earlier in 2009, in April, and Miriam McTiernan is the Archivist of Ontario.

It was in 1972 that the archives moved into the former building at 77 Grenville, which you mentioned. They had a relatively small reading room, which served as the access point for all public and government researchers. One of the key purposes of the new building was to get a much larger, state-of-the-art reading room where they could get more people to view the records of Ontario. The physical building at Grenville was outdated. The collection had outgrown the space capacity. This had obviously become a major concern. The aging building defied efforts to bring it into the electronic era. Fire protection was not up to standards and structural issues emerged as the collections continued to grow in both volume and weight. Moreover, after 37 years of storage we found mould accumulating in the ductwork, which is a serious threat to the \$250-million archival collection which is stored in the main facility.

In 2006, there was a consultant's report that confirmed that the inadequate housing was causing a decline in value of \$36,000 a day in the collection's value, so clearly this was a problem. We held a call for proposals to build and to lease back a property over a 25-year term. The winning proposal came from York University—York, of course, Canada's third-largest university, 60,000 students, a big faculty of 5,000 people and lots of use from the university itself to the new archives building.

The proposal was for a central customer service centre to accommodate the most heavily used and valuable records and the employees. A 35-year lease for the building was agreed on and the new purpose-built facility is at 134 Ian Macdonald Boulevard. As I mentioned, we took ownership of it at the end of March and moved in in April.

The entire building was constructed to a silver LEED-certified rating and during construction a number of green measures were implemented with a view to making sustainable choices as individuals, as a business, and as organizations.

The new building is accessible. It has increased the space for customer service in the reading room. Just a few of the features: We have double the public reference space for viewing records, including film and audio recordings, than we had in the former space on Grenville. There are temperature-controlled storage vaults and other environmental measures that provide increased protection for the collections. We have fully implemented security features, including controlled access and closed-circuit television monitoring in the facility. We have new space for exhibiting some of the archives' most valuable collections and making them accessible to wider audiences such as school groups and the York University community. We have a new classroom and education for outreach events. And, of course, we have no mould, which is a big advantage of the new facility.

So, better access and increased learning potential for all Ontarians: Customers have more opportunity to engage with and access the collections than they ever had before. There are new high-resolution screens. There are new digital microfilm readers which give a clearer view of the extensive microfilm collection, and since the microfilm machines convert to digital output, the images can also now be manipulated to suit researchers' printout needs.

It was a tough challenge to move all of the collection to the new facility. There are a number of irreplaceable collections that are stored in the main customer service facility that obviously needed to be properly packaged. These things would include oversized records such as flat maps, plans, glass plate negatives and panorama photographs.

1650

About 25% of the \$16-million government of Ontario art collection was in storage and also needed to be moved. This was a move that took about two years of planning in advance to get ready for. It was brought together and executed to perfection. It was great. There was great support from the team of people who worked on that.

One of the first move projects was to organize all Archives of Ontario records and prepare semi-active paper records for storage at a new information storage and retrieval records centre. This is also a project that started a couple of years in advance.

What else would be of use? I would say the collections department and management unit completed a number of major projects, including packaging nearly 500,000 boxes, volumes and folders of archival records as well as 70,000 library titles that were moved from the old building to the new facility. In addition, over 60,000 containers and items, the bulk of the archives' motion picture film, video, sound and microphone collections, were moved to off-site cool- and cold-storage facilities up in Bolton, Ontario. Together with a large part of the archives' photographic holdings, these special media are now stored in facilities that will better ensure their long-term preservation, which is clearly a priority.

Preservation services staff obviously played a pretty vital move in getting ready for the new facility. It was by far the main focus of their time and energies over the past year leading up to the move. The entire collection had to be physically checked before moving. It had to arrive in the same condition as when it left, so obviously, there was lots of careful planning to get ready for that particular challenge.

One of the most interesting pieces that we moved was the original map of the North-West Territory. It's from 1814 by David Thompson. It was a map that, if you were in the Grenville facility, you might have seen on display just as you went into the reading room area. It was on display at the old building for at least 25 years. It's a 195-year-old map that measures approximately two by three metres. It had to be transported on a stretcher in a special tray, and it had to have a special crate, even, constructed

for its move. It was actually the first object to arrive at the new facility and it arrived weeks before the staff or the collection even made the move. The map is now in permanent vault storage and a reproduction the same size as the original is on display in the reading room.

A large government of Ontario art collection was relocated to one of the purpose-built vaults in the archives' new public service facility. This took place over six days, and the move included over 100 maquettes, which were custom-boxed and crated, close to 400 paintings and works on paper and textiles, and furniture. Most challenging and requiring of particular care were the oversized paintings. Some are more than 10 feet long, so they are truly irreplaceable works of art.

Since it adheres to international archival standards, the new facility offers superior protection for on-site records. Thirteen cutting-edge storage vaults comprise the facility's core, enabling the outer portions of the building to act as energy-efficient temperature controls. Each vault has stringent light and climate requirements. Extremely precise sensing systems detect even the minutest changes in environmental conditions, which greatly reduces any potential risk to the collections. We sample temperatures on a continuous basis and check for contaminants. Particulate contamination is measured in parts per billion, so this truly is a state-of-the-art facility.

The archives are dedicated to offering an extremely high level of service to the public who come to use resources on-site. The public can access material of all formats that are held at the archives in the Alexander Fraser reading room. The reading room features two audiovisual rooms, 12 computer stations with Internet access, 93 microfilm readers, most using digital, Wi-Fi wireless capability, and a client lounge. The reading room also features two kiosks which house our virtual reading room. This is an electronic finding aid to records that replaces the paper finding aids, the old catalogues that you might remember from libraries and so on. The public can enjoy the specially designed montage wall in the reading room. It's a life-size reproduction of the Thompson map, as well as reprints of the Niagara Falls panorama—these would be from 1911, so coming up to 100 years old—that were unexpectedly discovered, actually, in the attic of the Ontario Legislature during its last major renovation.

In order to improve customer service, a new integrated voice recognition system was introduced that fields all the incoming calls and directs them to the appropriate department, ensuring that every call is answered in a timely fashion. In addition, our customer service system will be upgraded to streamline staff responses to customer requests.

In November 2008, the Archives of Ontario launched its first digitization strategy. The strategy addresses efforts to digitize and make available historical documents to the public. This is obviously a strategy to try to make our archives more accessible and the material there more accessible to more people through online services.

The new facility has improved facilities for a digitization lab and we have a number of current digitization



projects that are underway. We're pleased that we're able to move on time and under budget. The Archives of Ontario's new main public service facility was open to the public, as I mentioned, in April 2009. Concluding two years of planning, the archives successfully completed moving its staff and the most valuable portions of its collections to the new facility. There was minimal disruption to the users during the move and the archives itself was actually only closed to the public for four days during that enormous moving exercise.

**The Acting Chair (Mr. Ernie Hardeman):** You have about two minutes.

**Mr. Jim Brownell:** I just want to say that you made comments about easier access and whatnot, and I think I discovered that when I found that picture of Kenneth Chisholm upstairs, and then, lo and behold, in a matter of two weeks, I had an almost full-size reproduction of what's upstairs. I have to say, I was very pleased with the time period, because I never thought I would have that in that period of time.

You said that digitization has increased accessibility. Could anybody in the province of Ontario sit in their home, go online and discover as much as you could by going there? How is that unfolding?

**Mr. Ron McKerlie:** The process that we're going through is to take the records that are right now in paper format and digitize those records. That's a very long process. There is a great deal of material in paper format that would go back well into the 1800s. It will take many, many years before even a major part of the collection of Ontario would be digitized and available online. The starting point is a website. There is a detail of what the item would be in a descriptor, which would allow you to try to narrow in a little bit, and then over time, as we go through this process of digitization, there will be more and more material that will be available online to Ontarians.

**Hon. Harinder S. Takhar:** But let me say that if you need any information, you can go to the people who work there and they can provide you with the information. There are about 31,000 requests for information every year and almost 22,000 users per day using the archives, so there is an extensive use of it. If you need any information, you can contact them and they will be able to find that information, collect it for you and give it to you.

The archives' customers basically include students, teachers, journalists, land claim researchers—actually, when I was there, there were a lot of people looking for land claims—lawyers, law enforcement agencies, government officials and commissions of inquiry. So there are a lot of people who actually use that information, and the staff is very, very helpful, a very small group of people who really do a great, outstanding job.

**The Acting Chair (Mr. Ernie Hardeman):** Thank you very much. Now we'll go to the official opposition. Mr. O'Toole.

**Mr. John O'Toole:** I'm going to share my time with Ms. MacLeod here, who has some really pressing issues. I just want to get a quick follow-up on that very inter-

esting sort of readout on the Archives of Ontario. I have been there myself, one time. Is there any charge for that service? Is it a cost-recovery thing?

**1700**

**Hon. Harinder S. Takhar:** My understanding—Deputy, do you want to answer that question?

**Mr. John O'Toole:** Is the cost recoverable in any way, for those three hundred and thirty-one—

**Mr. Ron McKerlie:** There are modest charges if you want to, for instance, take copies of items.

**Mr. John O'Toole:** If somebody's doing a search on land claims and stuff like that, I would expect there would be charges. It is public information, but it's not free. Nothing is free, and if they're using it for commercial gain, litigation or whatever, they'll be charging their clients to work there, probably \$500 an hour. That's the last question. But anyway, I'd like an answer to that question: What are the fees at the Archives of Ontario?

The real question here comes down to—in your briefing book, the current-year one, on page 44, there's a questionable thing. It's on vote 1807. It's under the "Prior Period Obligations and Actuarial Adjustments, the Financial Administration Act." It's a 14.8% increase, about \$100 million. What is that?

**Hon. Harinder S. Takhar:** Okay, let me just try it, and we also have the chief administrative officer here, who can provide even more information.

**Mr. John O'Toole:** Sure, terrific.

**Hon. Harinder S. Takhar:** Every time any amount of money is sitting in a pension, there is an actuarial evaluation done of that. Last year, there was a decrease in the portfolio. Then you have to bump it up to bring it to the level that is required under the actuarial estimates, and that's what this is all about.

I will ask the chief administrative officer. She can give you more explanation if required.

**Mr. John O'Toole:** Would that be just the OPS, or would that be right across? All pensions, I get that. They're all down 25%, roughly. Is that what this is?

**The Acting Chair (Mr. Ernie Hardeman):** If we could have your name?

**Ms. Karen Hughes:** Karen Hughes. I'm the assistant deputy minister of the corporate services division and the chief administrative officer for the ministry. What you're seeing is just the OPS. There are two different pension plans in the OPS.

**Mr. John O'Toole:** So it wouldn't be—the province is the employer of record for the teachers' pension plan.

**Ms. Karen Hughes:** The teachers' pension plan is contained in the estimates of the Ministry of Education.

**Mr. John O'Toole:** The Ministry of Education, okay. I just wondered. It's kind of a large amount of money. It was under that section that had to deal with benefits and pensions. That explains it, so thanks for the answer. I appreciate that.

Is the term "transformation agenda" attached to your ministry, or is that the general theme—the term "transformation agenda"? I read a report yesterday that's a bit shelf-dated; it was a report in 2001. Is there anything

labelled in your ministry called the “transformation agenda”?

**Mr. Ron McKerlie:** Well, 2001 would be before my time in the Ontario public service. It's not terminology that I'm familiar with. We talk about modernizing government services.

**Mr. John O'Toole:** I've looked through the book here, and you use terms close to it. But that solves that problem. I'll go elsewhere because it is part of another ministry and I just felt—it was across the harmonization of your platforms on IT. Do you know what I mean? It's transformational from that respect. This is sort of intake case management in some of the other ministries. It's referred to as the “transformation agenda”—

**Hon. Harinder S. Takhar:** We refer to it as modernization—

**Mr. John O'Toole:** Yes, it's not driven by you. That's good because other ministries are implementing this stuff. It's all technology-based.

The next one here is one that's interesting. Then I'll be relinquishing—we only get 20 minutes, so it's very short. This is in appendix I, glamorizing some of the great work you're doing. Probably you are, by the way, not to be cynical.

It says, “Working with external and educational stakeholders such as the Canadian Coalition for ICT Skills (CCICT), IBM and their Business Technology Management (BTM) degree program, and Durham College.” Could you elaborate on that a bit?

**Hon. Harinder S. Takhar:** Where are you?

**Mr. John O'Toole:** I'm on the appendix of your estimates booklet, and it's on page IV—

**Hon. Harinder S. Takhar:** What page?

**Mr. John O'Toole:** It is in the middle of the page. It mentions Durham College, which is in my riding—very important. I'd like to flatter them by saying I noticed it and I asked the minister about it in estimates, and what a great job you're doing, I hope. I'll be sending them a copy of Hansard.

**Hon. Harinder S. Takhar:** Yeah, sure, sure.

**Mr. John O'Toole:** That's how it works.

**Mr. Ron McKerlie:** We have a number of programs with colleges and universities set up. As you may be aware, it's difficult these days to get IT resources, particularly things like people who know mainframe programming. So we're working with a number of universities; this is one such program with Durham College. IBM is a business partner for us on this particular training program, and it's to train potential future employees on particular aspects on I and IT services.

**Mr. John O'Toole:** Very good; I appreciate that. Ms. MacLeod, go for it.

**The Acting Chair (Mr. Ernie Hardeman):** Ms. MacLeod.

**Ms. Lisa MacLeod:** Thanks very much, Mr. Chairman, and thank you, Mr. O'Toole.

Welcome to committee, Mr. Takhar and your colleagues. Just a couple of quick questions for you.

The first one: Earlier today, the Premier said he was open to freedom-of-information requests to be available at hospitals. Last week, I put forward a piece of legislation that would have done just that. You balked at that, voted against it, and actually said that it had already been done. So who's telling the truth? Has it been done?

**Hon. Harinder S. Takhar:** The freedom of information really doesn't come under us. We basically coordinate freedom-of-information requests within the ministry.

**Ms. Lisa MacLeod:** Who's right: you or the Premier?

**Hon. Harinder S. Takhar:** What did I say?

**Ms. Lisa MacLeod:** You said it had already been done, and the Premier said it wasn't done today and he's considering doing it.

**Hon. Harinder S. Takhar:** No. What I said was that the LHINs have been asked to post their expenses. That's what I said.

**Ms. Lisa MacLeod:** Okay, but that's not freedom of information, and today the Premier has decided he supports the initiative that I put forward last week that you said had already been done.

You'd written a speech or somebody gave it to you and you actually recited it in the Legislature last week. I can find the specific example at the time, but again, it's wrong. You said the Ontario government has already made the legislation and policy changes to increase transparency and expense disclosure and procurement and to expand freedom of information across the government. Today the Premier has said that you haven't done that and he's considering doing it, and last week you said that you did. So I guess—

**Hon. Harinder S. Takhar:** No, what I was talking about was the expense disclosure that the minister has asked the LHINs to post—

**Ms. Lisa MacLeod:** Well, in that anyway, you said it was freedom of information, unless Hansard got it wrong and the transcription is wrong.

**Hon. Harinder S. Takhar:** Let me look into that.

**Ms. Lisa MacLeod:** Yeah, you should, and you may have to correct the record.

**Hon. Harinder S. Takhar:** Yeah, I'll do that.

**Ms. Lisa MacLeod:** In any event, I do have a couple of questions related to certain segments, and I'm just going to list a few pages here you may want your staff to look at.

On page 35, page 38, page 51, page 54, page 63, page 70, page 74, page 77, page 84, page 86, page 88 and page 93, each one of those indicates, in various programs that you're offering, an HST implementation line, and I'll read them.

On page 35, ministry administration program, operating costs: the HST implementation cost will be \$146,000.

On page 38: ministry administration program, government services delivery cluster, \$70,000; human resources, HR Ontario, \$698,000; human resources diversity office, \$22,000; enterprise business services program, corporate information—and that's on page 63—\$219,000.

Page 70, enterprise business services, the business services program: \$1 million. This is what it's going to cost to implement the HST within that department.



Page 74, enterprise business services, Archives of Ontario: \$75,000 to implement the HST.

Page 77, enterprise business services: the OPS green office will cost \$7,000 to implement the HST.

On page 84 under agencies, boards and commissions, Licence Appeal Tribunal: It will cost Ontarians \$10,000 to implement the HST.

Page 86, agencies, boards and commissions: the ad review panel is \$4,000 to implement the HST.

On page 88, ABCs, Office of the Conflict of Interest Commissioner: It will cost \$2,600.

On page 93, ServiceOntario and registration services: It will cost \$1.9 million to implement the HST.

So, by my count, it will cost about \$4 million to implement the HST, from the documents I have in front of me. Is that correct?

1710

**Hon. Harinder S. Takhar:** Let me tell you that the HST will now be charged on items at the rate of 13% to anything that we buy, but it is a wash at the end of the day because, on one hand, we will pay it; on the other hand, we will collect it back from the government, so there's no real cost overall in the bigger scheme of things.

**Ms. Lisa MacLeod:** Okay. So how are you accounting for that in your records here?

**Hon. Harinder S. Takhar:** We just wanted to make sure that it is properly counted here, what we are paying as the HST, and then—actually, I will ask the CEO for greater clarification, to maybe let her answer this question, and I'll be recording it.

**Ms. Karen Hughes:** In each of our program areas, the numbers that you're referring to are the reductions that were taken out of each of those program areas, so it's not actually an increase in spending; it's a decrease in spending where our ministry had funding available to pay HST. Under the new model, the way HST works, the Ministry of Finance has actually centralized all the payments that will go towards the new tax, so they—sorry; it's the GST portion that they had removed from where we had that in our allocations. They removed that. The HST will be centralized and paid out of the Ministry of Finance instead of within the individual ministries.

**Ms. Lisa MacLeod:** Okay. Thanks very much.

There are a couple of other pages I just wanted to go through, Minister, with you. I think I'd like to start at page 60. It really is the entire section on the enterprise business services program.

When you look at the numbers, you see a high inflation in what the 2008-09 actuals were, in some instances, and where the 2009-10 interim actuals are. I've highlighted a few, and one that concerns me, given what we saw with eHealth, is corporate information and information technology. I'm just not sure how it could be that in less than a year, close to \$23 million more is being spent on information technology in your department.

You'll notice the numbers: \$90,199,622, and right now the interim actuals are \$113 million. It looks like that will increase by another \$88 million, for a total of \$141 million. So when you're looking at that, the interim actuals

are over \$23 million more than they were in 2008-09, and then, by the end of this fiscal year, it's going to be about \$51 million. How do you explain that? How did you let that happen?

**Hon. Harinder S. Takhar:** I think I did explain that yesterday as well, but I'll let the DM now explain it to you, because this question was asked yesterday as well by your party.

**Mr. Ron McKerlie:** As we described yesterday, \$37 million of that increase relates to the major application portfolio strategy. This is the higher at-risk applications in the government of Ontario, so the Family Responsibility Office, a replacement for the application that produces Ontario Works and ODSP—

**Ms. Lisa MacLeod:** What's the name of that application?

**Mr. Ron McKerlie:** SDMT is the short form. I would have to look up what the actual name is.

**Ms. Lisa MacLeod:** Could you provide that to me, please?

**Mr. Ron McKerlie:** Sure. And there's the road user safety suite of applications in the Ministry of Transportation. These are applications that were built back in the 1960s. They manage everything from overweight vehicle permits to your personal driver's licence "val tags," things like that—

**Ms. Lisa MacLeod:** Could you do me a favour? I'd like to request, through the Chair, that we receive all consultants who were hired for these IT projects, and I'd like to see made public through this committee all contracts over \$10,000.

**Hon. Harinder S. Takhar:** Mr. Chair, we will take that under advisement, and if it's feasible to do it, then we will provide it.

**The Acting Chair (Mr. Ernie Hardeman):** Thank you very much.

**Mr. Ron McKerlie:** Some of the other—

**Ms. Lisa MacLeod:** Right there, that's also just, of course, your operating costs—

**The Acting Chair (Mr. Ernie Hardeman):** If we could hang on a minute, I think there was a question on that.

**Mr. Ron McKerlie:** Sorry; you were asking for the rest of the breakdown of that amount. Did you want the rest of the details of why those costs have gone up?

**Ms. Lisa MacLeod:** My colleague has just sort of whispered in my ear that you gave him that yesterday.

**Mr. Ron McKerlie:** They are on the record from yesterday.

**Ms. Lisa MacLeod:** And then I just mentioned that that was just the operating costs, because the corporate capital costs seem to be far greater in inflation than even the operating costs. I'm just wondering how you—\$65 million to now what is at least \$194 million. That's going to be over \$200 million by the end of the year.

**Hon. Harinder S. Takhar:** Actually, from \$65 million to \$11 million.

**Ms. Lisa MacLeod:** No, it went from \$65 million to \$194 million, and your estimates for 2009-10 are \$246 million.

**Hon. Harinder S. Takhar:** Oh, you're talking about the actual, from \$65 million to \$194 million?

**Ms. Lisa MacLeod:** These are your interim actuals, and then you've got your estimates for 2009-10.

**Mr. Ron McKerlie:** The bulk of that is for the new Guelph data centre, which has just come online. That was 2009-10, so that's last year. If you look at the number for 2010-11, you'll see it has dropped dramatically. That represents the fact that the Guelph data centre is now built and furnished and will come online this year.

**Ms. Lisa MacLeod:** What time this year?

**Mr. Ron McKerlie:** We just got the hand-off of it on St. Patrick's Day, so March 17. We're in the process of starting to transfer over. There will be 400 key applications that are brought over from our Downsview site. It will take the better part of a year to get all 400 applications up and running and stable in the new facility.

**Mr. John O'Toole:** Building on the same premise as the data centre—I'm sure it's secure, all high-end, accessibility things—would it be able to accommodate some of the Smart Systems for Health or e-health? That was one of the issues they had. They wanted a secure data warehouse. Is this going to be particularly for your ministry, or is it going to be able to accommodate health? The e-health is the future, and health privacy is a very important part of that. But e-health is transformative in terms of efficiencies. Would this data warehouse fit into that scheme, or is it strictly for your own?

**Mr. Ron McKerlie:** The new data centre is an enterprise data centre, so it's not just Ministry of Government Services applications. We run applications for the justice ministries and all ministries across government. It could accommodate data from some of our large agencies as well. In fact, discussions are already under way with a number of agencies to see if they are interested in partnering with us. That would replace data centres that they pay third parties for.

**Mr. John O'Toole:** This is all part of harmonization, platforming and system support. Human and technical infrastructure needs to be centralized. It's very important corporately for the government, whatever stripe. I'd like an update, if you could, Minister, on that.

**Hon. Harinder S. Takhar:** We have moved in that direction for the last few years.

**Mr. John O'Toole:** I just want to make sure that some of those third party—because the health one is going to be magnificent. Do you understand? They're all calling for it. There are nine modules in health care, under the pharmacies, the labs, the OLA system—all those systems integrate into one to give you the patient record, but you have to have a very, very secure and highly—

**The Acting Chair (Mr. Ernie Hardeman):** You have about two minutes left.

**Mr. John O'Toole:** Anyway, a little update on that would be handy.

**Hon. Harinder S. Takhar:** Okay.

**Ms. Lisa MacLeod:** I wish I had more time. I apologize that this isn't my ministry, but I certainly have an interest.

I just have a final question on page 63. In a time of restraint when we face record deficits and a record debt, and we're raising taxes, can you explain how, for three years running, salaries and wages could increase as much as they have? If you look at where the actuals were in 2008-09, where the interim actuals were in 2009-10, and then the estimates in 2009-10—today in 2010, they're 7.1% higher than they were last year. We're told of fiscal restraint, we're told that people are finding savings, we're told that people's salaries are being frozen, but when you're looking at the enterprise business service program, the corporate information and information technology operating group is growing. That's unacceptable, Minister. How do you explain that?

**Hon. Harinder S. Takhar:** I think your question is a very good one. On one hand, day after day in the House, you ask us to reduce consultants. We have reduced consultants from \$650 million to about \$306 million, so by \$350 million. We have made the commitment that if you need the resources, rather than hiring consultants, we will convert 1,415 jobs from consultants to full-time—  
1720

**Ms. Lisa MacLeod:** So you're growing the public service at a time of restraint. This is, I think, the fundamental issue. I just—

**Hon. Harinder S. Takhar:** Let me—

**Ms. Lisa MacLeod:** No, let me say this because it's very important.

**Hon. Harinder S. Takhar:** But let me just answer the question.

**Ms. Lisa MacLeod:** It's public sector reality. It's not—

**The Acting Chair (Mr. Ernie Hardeman):** Excuse me. I think we'll have to do this in the next round. We have finished the time for this round. The government—

*Interjections.*

**The Chair (Mr. Ernie Hardeman):** Do you have any further questions?

**Mr. Kim Craiton:** Do we have time? Have we got time for more questions?

**The Acting Chair (Mr. Ernie Hardeman):** Yes. It's your rotation. Presently we don't have a third party member here, so the rotation goes to the government side.

**Mr. Kim Craiton:** Then, I have a question, Mr. Chair. Minister?

**Hon. Harinder S. Takhar:** Yes.

**Mr. Kim Craiton:** Are you ready?

**Hon. Harinder S. Takhar:** Yes, go ahead.

**Mr. Kim Craiton:** First, before I ask the question, I should say, Minister, that I'm looking forward—I think you're coming down to my riding of Niagara Falls—Niagara-on-the-Lake and Fort Erie—in a couple of weeks with a really good announcement about the amalgamation of services for drivers' licences and health cards. I want to thank you for taking the time out of your schedule. That is exciting news for our community, so thank you very much.



The question I have is pretty simple. In my riding, as I said, in Niagara Falls, Niagara-on-the-Lake and Fort Erie, just like everywhere else across the province the heart and soul of our community is small businesses. That's the heart and soul right across Ontario.

I just want you maybe to share with me and the people watching and for the record some of the things that you've been doing to eliminate and reduce red tape to help small businesses go forward or individuals who are looking at starting up a business for the first time.

**Hon. Harinder S. Takhar:** Let me just say that I used to be Minister of Small Business and Entrepreneurship and then Minister of Small Business and Consumer Services. Small businesses are the backbone of our economy. If you look at it, almost all 90-person-plus businesses fall into the category of small and medium-sized businesses. They generate about \$230-billion worth of activity in our province. And 50-person-plus jobs and most of the new job creation actually come from this sector.

As a government, we have taken a very systematic approach to making the environment more business friendly over the last number of years.

When I was Minister of Small Business, I think in the first year we reduced 25% of all the forms that small and medium-sized businesses had to fill out. Then we took a very systematic approach, in fact, not only to reduce paperwork but to also automate it, so they don't have to put that information again and again in the information they provide every year.

One of the complaints that I used to get all the time from small and medium-sized businesses was how difficult it is to sell to the government sometimes. So what we're doing on the procurement side is, we are making it easier for small businesses to sell. We are going out there in a very open forum and actually telling the small and medium-sized businesses, "This is the kind of service that the government really needs and this is the process that is required for you to sell to the government." That is making it a little bit easier for them to sell to the government now as well.

But let me just talk about a few more issues. One is, we have a toll-free 1-888 line now for businesses. We have introduced this new toll-free business information line, which means that the entrepreneurs and the business owners need to make only one call to access information and expertise now. The 1-888 business line information is a collaboration between ServiceOntario and Industry Canada and was launched on February 3, 2010, at the Economic Developers Council of Ontario's 53rd annual conference. That is also going to make their life easy.

Businesses now only have to remember one telephone number which provides access to many government business programs. The number, just for the record, is 1-888-745-8888. If businesses call this number, they will receive the information on federal, provincial and municipal government services. In addition to pre-recorded information and seamless connections to 12 high-demand business-related programs, agents will connect businesses with an additional 70 programs as well.

The second change that we have made is one business identifier, which means that now businesses can use the same number that they use with the federal government to identify with the provincial ministries as well. The single business number makes it easier for businesses to manage their multiple program accounts with the government and is the key to a seamless integrated service delivery. Our commitment is to increase the adoption of the single business number so that businesses are able to use this one single number to identify themselves to government. Businesses can use the single number now with six provincial programs, and I'm happy to say that we have increased the expected number of programs to adopt the number.

Under Ontario's Open for Business strategy, the following government programs will adopt the single user number: employee health tax; retail sales tax, which is in effect right now; fuel tax; gas tax; tobacco tax; and beer and wine tax. The other information about the Ministry of Labour and the Ministry of the Environment—they can get on this as well.

We also have the My Biz account. I'm sure the deputy minister will talk a little bit more about it. We're also working and developing a new online service called My Biz account. This will offer to Ontario business electronic, one-stop shopping, enabling them to have easy research access on multiple sources of information.

The other is the service location finder, launched in April 2009. ServiceOntario service location finder is an online search tool, again, for businesses. If they are planning to locate a certain location, then they can go to this and they can actually find all the information about that one particular location.

Helping business through the ServiceOntario-at-libraries program: I'm sure the deputy minister wants to talk about that as well and give you a little bit more information on that.

We have BizPaL, which is actually a program that is in co-operation with the municipalities and the federal government. Again, the idea is, if you want to start a business or want to grow your business, you can go to this site and it will provide you with the information: what is required to start the business and what kind of licences are required.

We have the electronic master business licence with service guarantee. Businesses in Ontario can register a new business online and receive a master business licence by email in two business days or their money back, guaranteed.

But these are not the only things we have done. In addition to that, we have reduced income taxes, we have reduced the capital taxes; we have moved on a lot of fronts. Actually, I was at a meeting—not a meeting actually; a web cast. I was participating in information technology issues, and there were some senior businesses, people from Dell and ADP. They basically said that this issue is not an issue for businesses anymore. We have made it so easy for businesses to do business with our government. Not only that, actually; we have made the

environment very, very competitive in North America, and that's why we are attracting a lot of businesses that are now coming to Ontario.

I will ask the deputy minister to give you a little bit more details on this issue.

**Mr. Bob Stark:** I'm Bob Stark, deputy minister and chief executive officer of ServiceOntario. Thank you, Minister.

I'd just like to add a couple of things to what the minister said. First of all, in ServiceOntario, we are focused on working with business. In fact, we have an advisory group that we work with to find ways to streamline services to business to not only improve the services from a government perspective but more importantly, to improve services for business to reduce their time and cost.

The minister mentioned the 1-888 number that we launched earlier this year. I might add that that's a number that consolidates roughly 160 different telephone lines across the federal, provincial and municipal levels of government. So it takes much of the confusion out of the situation for businesses when they want to access government, making it easier.

As the minister touched upon, probably our flagship offering is our money-back service guarantee around the enhanced business or the electronic master business licence, which is the starting position; an entrepreneur must get that number to open up bank accounts and basically start his business. So we have had that service guarantee in place since January 2007 and have met our commitment 100% of the time.

There are a couple of other programs I'd just like to touch upon. The minister mentioned the libraries program at ServiceOntario. This is a program where we run through roughly 400 libraries across the province, particularly in rural and more remote locations, where we've trained librarians in various aspects of the Service Ontario business and where they can help clients to get access online to our various services. In particular, we've trained them on the services to business, so we now have roughly 400 locations across the province in libraries and First Nations band offices and their libraries as well, where entrepreneurs can get help in starting up their businesses.

The minister also touched briefly upon our location finder, which we upgraded this year to include the small business enterprise centres. This allows businesses to go online and search for locations. There are roughly 57 of these small business enterprise offices that are part of the Ministry of Economic Development and Trade, so we've made it easier for businesses to find local offices where they can get personal help with starting up their business.

The minister also touched briefly upon the work that we're doing around creating My Biz accounts for businesses. This is being launched in September and it is a secure way that businesses can connect with government and see the status of all of the interactions they have with business. This probably is similar to online banking in nature, in that it's a secure and private way that business

can interact with government across various ministries and the various programs that support business in the province.

This has a number of features associated with it. It will allow businesses to do searches on information that they're looking for and those searches will be tailored to the specific business needs of the business that they're engaged in. It will allow them to electronically fill out forms that need to be submitted to government, thus eliminating the process of printing out forms, filling them out and mailing them in. Eventually, this will be a conduit for businesses to be able to interact in an electronic fashion with government.

From a ServiceOntario perspective, it is a large undertaking for us to make improvements as the gateway, if you will, to government services for business across a number of ministries. We're making great progress this year on a number of steps that will make it easier for businesses.

**The Acting Chair (Mr. Ernie Hardeman):** Mr. Levac.

**Mr. Dave Levac:** Did you have more, Minister?

**Hon. Harinder S. Takhar:** Yes. I just actually want to correct one of the previous records. Lisa MacLeod was saying that I said that hospitals already have it; let me just quote from Hansard in the House. I said: "Let me just about talk about a few areas. For the expenses, Bill 39 seeks the disclosure of travel and hospitality expenses from public bodies, but as you know, Speaker, this government has just recently passed legislation which addresses that very issue in a comprehensive and an effective manner." Later on, I said, "Ontario hospitals are accessible under their own freedom of information and privacy legislation." I did not say what she actually implied, so I just wanted to put that on the record.

**The Acting Chair (Mr. Ernie Hardeman):** Thank you very much.

**Mr. Dave Levac:** Time, Mr. Chairman?

**The Acting Chair (Mr. Ernie Hardeman):** You have about six minutes.

**Mr. Dave Levac:** Thank you.

This question is based on ServiceOntario, Minister. It was a healthy review that you just gave us about the enormous amount of work that you're doing across the entire government in various ministries.

Could you give us an idea of the projected savings that this could actually accomplish for us if we were to get the end story of what the proposal is? More specifically, how would each riding benefit from a ServiceOntario centre that provides one-stop shopping for the constituents—and also for the ministry staff who have to pull together all of these various locations and services that are being offered by the government in Ontario?

I, for one, am excited about what the proposal is. The potential is even higher, but I think there's a practical side to this, and that is that we wouldn't do it if there wasn't a perceived savings and we wouldn't do it if there wasn't a perceived service improvement. Could you go over that a little bit for us?



**Hon. Harinder S. Takhar:** Absolutely. I am very proud of what is happening on the ServiceOntario side. I think we're going to take the service level to an entirely different level. We're going to put all of those services under one roof, we're going to have 300 offices that will be delivering these services, and we're going to completely modernize and streamline our processes. Not only that, I think we already have taken the service to a very different level. We are providing service guarantees on a lot of the services that we provide.

Definitely, when we have good systems in place, when we have good services in place, it's going to generate some savings. The deputy minister can talk a little bit more about some of the savings.

The strategy will contribute savings to the government's bottom line, starting with about \$3 million in fiscal 2011-12. Beyond that, savings are projected to grow to more than about \$6 million per year as well.

I think the key here is that more services will be available to people in more locations—and in one location. For example, just the health cards alone: Right now, we're offering 27 locations. It's going to go to 300 locations. It will be more available in the rural areas. It will be more available in northern Ontario. It will be more available in southwestern Ontario.

It is about improving service, but if it can generate savings at the same time, I think we'll accomplish both objectives.

Deputy?

**Mr. Bob Stark:** I would certainly reiterate what the minister said. Our primary focus is around improving the quality of service to citizens and businesses in the province. Through that process, we have also found ways to become more efficient.

The minister has shared with you some of the expectations of efficiency within government. I'll also share with you, on the services-to-business part, what we're providing and the improvements that we're making. Businesses have validated our estimates that they will save in the order of slightly over \$600 million in expenses every year within businesses. That's just through the streamlining of services, the way they get serviced by government: cutting out administrative processes, multiple telephone calls and the confusion around how to access government services by business. By simplifying all of that, they will see significant savings.

**Mr. Dave Levac:** I can keep this next one right down inside of the time frame, Mr. Chairman.

I want to reinforce that and ask the final question that actually dovetails into that. Will that also reduce wait times for people looking for health cards? One of the concerns that was raised to me on an ongoing basis was an appointment they could get, but it was past the due date of their health card. Is it the wish of this design to do two things for the constituent and for the businesses: get them service when they need it, and on time?

**Hon. Harinder S. Takhar:** Absolutely. There's no question about it. Not only will we reduce the wait times, but we'll also save them money going forward. Right

now, you have to take two trips: one to get your health card and one to renew your driver's licence. Our problem right now is that we have these systems—one health card system and one driver's licence system. Eventually we want to move to one system, and that's why we are making the investments that we are making in the information systems as well, so that when you go in there, both things expire at the same time. You go in there, you take one picture, you sign once, and hopefully you will get both the health card and the driver's licence at the same time. So you'll save on trips, as well. We are also making sure that all the services are available in a 10-kilometre radius. We are providing service guarantees to our business people as well.

1740

**The Acting Chair (Mr. Ernie Hardeman):** Thank you very much, and that concludes our time.

**Mr. Dave Levac:** Mr. Chairman, I wanted to get it done.

**The Acting Chair (Mr. Ernie Hardeman):** Yes, and you had seconds to spare, so thank you very much for that.

With that, we will go back because we did miss the third party in the rotation. We'll go back to the third party. Mr. Miller.

**Mr. Paul Miller:** I'd like to go back to—you made a statement yesterday that you would like to see your reduction with consultants to \$304 million from \$656 million. My question is, I guess you signed contracts with consultants. What are you going to do if the consultants—I don't know if you have performance bonds or whatever you have. What are you going to do to achieve your \$304-million goal if the consulting arrangement goes further than you thought, takes longer than you thought, and they're under contract? Are you going to cancel their contract if they don't meet your objectives? Are you going to have contract language in the contracts you've signed with consultants that says that they will fulfill their mandate within a given amount of time?

Frankly, Minister, I don't think you can quote numbers like that if they don't achieve the timelines and the guidelines that you're quoting. It's almost like the 600,000 jobs I'm still waiting for.

**Hon. Harinder S. Takhar:** Let me tell the member that we are already down from \$650 million to \$304 million; we are already there. This is already achieved. But let me just talk a little bit about what we are planning to do going forward. One is, we are converting consultant positions to full-time positions, and I talked about that; 1,415 IT consultants will be converted to full-time. That is going to save \$58 million when that project is fully implemented—\$58 million. We are also consolidating our acquisition of consulting services within the government, so we have these vendors of record of our consultants, where we can negotiate better deals with them.

The other thing that we are also doing in the IT area is we are creating a specialized group that will move from one place to another and provide the kinds of services that the consultants are providing right now.

All these changes will eventually reduce our consultant costs. The DM maybe has a few more things to share with you.

**Mr. Ron McKerlie:** Sure. There are a couple of ways that we would hire consultants. IT consultants could be hired on a task base—

**Mr. Paul Miller:** Could be or would be?

**Mr. Ron McKerlie:** There are several ways they could be hired. They could be hired on task-based consulting, so they come in with a specific set of deliverables and they're bidding on delivering those deliverables. They could be hired on a time-and-materials basis, where we just hire them as staff to work with us, and it's really up to us as managers of that staff to make sure that those deliverables are met, that we deliver the commitments of the government, and we're using resources that are not government of Ontario employees but rather are consultants that we're paying a fee for to deliver.

When we would hire them to do a project—for instance, the diabetes registry, which is something that is out in the marketplace now through Infrastructure Ontario—there is a very specific set of deliverables related to that project, including acceptance testing and sign-off. Payment flows from acceptance testing of the end product. If it doesn't meet those deliverables, then they don't get paid. That would be an example of a very specific project where the project is bid on by a number of consortia. Those consortia have to deliver that. Until the government signs off, accepting the outcome, the payment wouldn't flow to them.

But many of the consultants who the minister talked about, the 1,415 positions, the consultants who are in the IT source that we talked about—those are the 167 full-time people growing to 275—are people who we hired who would work alongside our staff. They wouldn't be our employees, but we would pay them a fee. Our goal is to replace those—which we've done with the 167 and which we're working on doing with the 1,415—with real employees. That's why our salary and wages line in I&IT goes up. That's why the cost savings are real. We're down to \$304 million, as the minister mentioned. It's not a target; we're actually there from the \$656 million back in 2001-02. Those savings come by replacing employees at the prices that we pay or the salaries that we pay for consultants.

**Mr. Paul Miller:** Thank you. I guess my next question is that, obviously, several ministries have taken criticism and public outrage about consultants' fees and how much it has cost each ministry, depending on the ministry. After this situation, the eHealth scandal and things like that that have happened, what steps will your ministry and agencies take to ensure an open, transparent, competitive process to acquire consulting services? What do you plan to do? There has been some criticism you've taken about certain party-friendly groups that have been mentioned in the House, about favouritism. Are you going to do as a municipality does and put out a tender and have open, competitive bids put in to do the consulting work that you require to lessen your fees? I believe that's the direction you want to take.

**Hon. Harinder S. Takhar:** Let me talk a little bit about those issues first. The government has tightened its policies on the acquisition and use of consultants. We are tightening the policies—

**Mr. Paul Miller:** No, I'm talking about competitive-ness.

**Hon. Harinder S. Takhar:** No, let me just get to that—to ensure greater accountability and transparency in its procurement policies and processes. I also said that we now have consultants as vendors of record. When we have consultants as vendors of record, then you can consolidate some of the activity that is happening across the government, which means then you can actually get better rates and better service from them—

**Mr. Paul Miller:** So bulk buying? Is that what you're kind of insinuating?

**Hon. Harinder S. Takhar:** Well, maybe the DM can go a little bit more into detail.

**Mr. Ron McKerlie:** The minister spoke about the change in policies. Of course we've done that. We also now require ministries to conduct a competitive process when they're acquiring consulting services regardless of the procurement value. Under very limited circumstances, ministries may acquire external consultants without competition but must also obtain prior approval from both the deputy minister and the minister—

**Mr. Paul Miller:** Can I interject there?

**Mr. Ron McKerlie:** Sure.

**Mr. Paul Miller:** Did I hear you correctly, that the deputy minister and minister can interject into the process, and it doesn't have to be competitive bidding? Did you say that?

**Mr. Ron McKerlie:** I did say that there is an exception process, which has to be approved by both the deputy and the minister—

**Mr. Paul Miller:** So there is no process, then? If the deputy minister and the minister can step in if they don't like whoever's been picked, they can override it. Is that what you're telling me?

**Mr. Ron McKerlie:** Normally, what ministries or agencies would do is they would either do an open, fully competitive procurement process, or they would use the vendor-of-record process. The vendor-of-record process is already done, a first stage—

**Mr. Paul Miller:** Wait a minute. Maybe you can help me with this. The vendor of record is already done? What do you mean? He's already been pre-approved, or he did it before and he's going to get it automatically?

**Mr. Ron McKerlie:** In the vendor-of-record process, we go through a first-stage selection process for a number of vendors. Vendors can compete for that, and they get scored on a point-score basis. We talked about that the other day. A number of vendors, usually the ones that pass, that have the higher point scores, would be included as vendors of record. That means there is a task-based vendor of record for consulting services, for example. If I was looking to procure consulting resources for IT task-based work, I could go to our vendor of record. In there would be list of a number of firms that have already



passed the first stage, which means they are qualified to work for the government, that we've checked their references and that they have pricing that gave them a high enough score that they were included in that—

**Mr. Paul Miller:** Can I ask a question? Sorry to interrupt. Let me get this straight. There's a point system. There are past performance records. Do you feel, potentially, that with that system it could create a monopoly for past performance? And not only could it create a monopoly; I'm under the impression, now that you've given me this statement, that the deputy minister or the minister could override. I think that's what you're telling me, that if they don't like what they see, they can override it and be more lenient or favourable to another organization, whether they be old or new, based on the performance of those past records that you have.

1750

So if a new company wanted to come in that is unproven in your eyes but may have had an overseas record or a better track record, so to speak, than the groups that you are dealing with in your ministry, and they may be favourable—not that I would say there would be favouritism from the deputy minister and minister; it could happen if companies had been there for a long time. Are you saying that the new companies could be overruled because they don't fall within your points system or your past performance system? Really, this is very foggy.

**Hon. Harinder S. Takhar:** Let me answer this. I think all ministries and all agencies—let's get this right—

**Mr. Paul Miller:** Oh, I'll get it right.

**Hon. Harinder S. Takhar:** —must use a competitive procurement process for the acquisition of all consulting services and offer value, with very limited allowable exceptions only in the case of emergencies.

**Mr. Paul Miller:** Emergencies? Define “emergency.”

**Hon. Harinder S. Takhar:** Yes, let me just define emergency. Emergencies will be where you need to protect public health or safety, or to maintain certain confidentiality. Those are the only issues where any exception can take place, and in those exceptions the deputy minister and the minister need to sign it. And those are very small amounts. But for all the large amounts, all the ministries and agencies must use a competitive procurement process.

For example, let's just talk about consultants.

**Mr. Paul Miller:** With due respect to you, Minister, this appears to me to be a very grey area and there's lots of flexibility for the deputy minister and minister. This is very foggy. I'm quite concerned about this answer.

**Hon. Harinder S. Takhar:** But let's just look at it. In the case of IT, if you're hiring an IT consultant, you already have certain qualified people who are going to be the IT consultants from certain firms who can provide certain kinds of skills.

**Mr. Paul Miller:** From your points system?

**Hon. Harinder S. Takhar:** For certain kinds of skills. Of course, you have to take into account what you're looking for. You need to say what your requirements are

for certain projects; based on that, you'd qualify your vendors of record. When the job comes in, you call up the four or five people from the vendors of record and say, “This is the job. Who's going to provide the comparative?”—

**Mr. Paul Miller:** Can I interject for one minute?

**Hon. Harinder S. Takhar:** Sure, go ahead.

**Mr. Paul Miller:** The thing I'm concerned about here is that you have a points system and you have vendors of record that you've dealt with in the past; you might have dealt with them for 10 years, 15 years. They've built up a rapport with your ministry; they've made friends in the ministry. They may not have been the best firm or may not have had the best production—and that's fine, if it's reviewed and you come back with another firm that may do a better job or whatever. But I'm a little concerned about the ability of the deputy minister and the minister to overrule in the procurement program if they favour—heaven forbid—another organization that has been there long-term. That's where the word that I have comes from, “monopoly,” or “same old same old.” I think that you've left the door open for some abuses, potential abuses, by leaving it up to the deputy or minister.

I don't care what agency it is or what ministry it is; none of them should operate like that. When I sat on council in the city I'm from, we would put out tenders, we would take the lowest bid, and unless this person had an atrocious past performance, where they didn't pave the roads right, they've got a terrible record in Ontario—I really think that this is a very grey area that has to be looked at. I think favouritism could slip through the door here with the ability of the minister and the deputy minister to override a decision made by the bureaucrats under them.

**Hon. Harinder S. Takhar:** The vendors of record, the people who are vendors of record, are constantly updated. So there are new people always added to the people who on are vendors of record.

**Mr. Paul Miller:** But you told me that if they're not on the points system, they are not a vendor of record.

**Hon. Harinder S. Takhar:** No—

**Mr. Paul Miller:** How do I get on your points system and prove to you—if I'm a new company that's doing whatever, paving a road or whatever I'm doing, how do I get on your points system for performance and how do I avoid monopolies? How do I do that?

**Hon. Harinder S. Takhar:** I'll let the deputy answer this.

**Mr. Ron McKerlie:** Let me invite to the table Marian Macdonald, who is our ADM of supply chain management. She and her team actually work on the vendor-of-record process all the time. Maybe I could just ask Marian to explain how you become a vendor of record and how frequently that system is opened up.

**Ms. Marian Macdonald:** Thanks very much. Marian Macdonald, assistant deputy minister of supply chain management division.

The supply chain management division of the Ontario government runs what we call an “enterprise vendor of

record" program. This is a program we use where there are common goods and services that are used across many ministries. Consulting services is one of those commodities. We have, currently, over 70 enterprise vendors of record that we manage. Five of those are for consulting services.

We issue an open, competitive tender through our electronic service provider approximately every three years, asking for interested vendors who wish to be on the vendor-of-record list. They must qualify through that open, competitive process. We evaluate at that time their experience, ability and knowledge, as well as the pricing structure they want to put forward to us. The successful vendors are what we call our vendor-of-record list.

When a ministry has—

**Mr. Paul Miller:** Can I ask you a question? Can I interject for a minute? I appreciate that statement; that's very good. That's exactly what I'm after and I like that process. But where I'm concerned is, and correct me if I'm wrong, once you've made a decision and it's passed up the ladder to the deputy minister and the minister, from what they've told me, they could override that decision and decide to go with an alternate company. Is that a fair statement?

**Ms. Marian Macdonald:** The consulting services vendor-of-record program has what we call a second-stage selection process. The second-stage selection process is where ministry buyers have a specific deliverable; they have a specific job or task that they want assistance to do. Depending on the value, they must go back in to those qualified vendors—vendors we've already qualified in that first-stage competitive process—and select a number of qualified vendors and issue what we call a request for services. In essence, it's a secondary competitive process designed to make sure that we do get the best consultant and the best price. That is a competitive process as well; it does bind the ministry. The ministries will evaluate that, much in the same manner as they have done in the first place, and that is the recommended consultant that goes forward.

Typically, that authority to act is within the ministry delegations of authority. It is only where a ministry is not wishing to use an enterprise vendor of record or where they are not issuing an open, competitive procurement process—it is where they are wishing to use a non-competitive process to select consulting services. Our procurement directive has acknowledged that there are places and times where it may be appropriate to use a non-competitive process, as the minister said, in cases of urgency—

**The Acting Chair (Mr. Ernie Hardeman):** I think we'll leave it there and let you have the last word, at least for this part of the program.

*Interjection.*

**The Acting Chair (Mr. Ernie Hardeman):** Thank you. Your time is up.

**Mr. John O'Toole:** Chair, I have a point of order. I want to table with the minister—I'll give it to him personally—four questions which summarize the specific questions I was asking, so that it's not ambiguous. I'll table it with him and I have a copy for research staff.

**The Acting Chair (Mr. Ernie Hardeman):** If you want to do that, it would also be helpful to table it with the clerk so the committee would know what was going on.

**Mr. John O'Toole:** It's on the record.

**Hon. Harinder S. Takhar:** Mr. Chair, I have to say you are very organized today.

**The Acting Chair (Mr. Ernie Hardeman):** Thank you very much. I want to thank the minister and all the ministry staff who were here today to help this along and thank all the committee members for taking the time this afternoon. I want to say that the next meeting to conclude, I would presume—maybe conclude or at least to proceed with—these estimates will be Tuesday, May 18, at 9 a.m. We look forward to seeing the minister, the ministry staff and the committee members here to review the estimates.

*The committee adjourned at 1758.*





## CONTENTS

Wednesday 12 May 2010

|                                      |      |
|--------------------------------------|------|
| Election of Acting Chair.....        | E-35 |
| Ministry of Government Services..... | E-35 |
| Hon. Harinder S. Takhar              |      |
| Mr. Ron McKerlie                     |      |
| Dr. Mark Vale                        |      |
| Ms. Karen Hughes                     |      |
| Mr. Bob Stark                        |      |
| Ms. Marian Macdonald                 |      |

### STANDING COMMITTEE ON ESTIMATES

#### Chair / Président

Mr. Garfield Dunlop (Simcoe North / Simcoe-Nord PC)

#### Vice-Chair / Vice-Président

Mr. Robert Bailey (Sarnia–Lambton PC)

Mr. Robert Bailey (Sarnia–Lambton PC)

Mr. Gilles Bisson (Timmins–James Bay / Timmins–Baie James ND)

Mr. Jim Brownell (Stormont–Dundas–South Glengarry L)

Mr. Kim Craitor (Niagara Falls L)

Mr. Bob Delaney (Mississauga–Streetsville L)

Mr. Garfield Dunlop (Simcoe North / Simcoe-Nord PC)

Mrs. Amrit Mangat (Mississauga–Brampton South / Mississauga–Brampton-Sud L)

Mr. Phil McNeely (Ottawa–Orléans L)

Mr. John O'Toole (Durham PC)

#### Substitutions / Membres remplaçants

Mr. Ernie Hardeman (Oxford PC)

Mr. Dave Levac (Brant L)

Mr. Bill Mauro (Thunder Bay–Atikokan L)

Mr. Paul Miller (Hamilton East–Stoney Creek / Hamilton–Est–Stoney Creek ND)

#### Also taking part / Autres participants et participantes

Ms. Lisa MacLeod (Nepean–Carleton PC)

#### Clerk pro tem / Greffier par intérim

Mr. William Short

#### Staff / Personnel

Mr. Avrum Fenson, research officer,  
Legislative Research Service



26  
97

Gouvernement  
Publication



E-4

E-4

ISSN 1181-6465

**Legislative Assembly  
of Ontario**  
Second Session, 39<sup>th</sup> Parliament

**Assemblée législative  
de l'Ontario**  
Deuxième session, 39<sup>e</sup> législature

# **Official Report of Debates (Hansard)**

# **Journal des débats (Hansard)**

**Tuesday 18 May 2010**

**Mardi 18 mai 2010**

**Standing Committee on  
Estimates**

**Comité permanent des  
budgets des dépenses**

**Ministry of Government Services**

**Ministère des Services  
gouvernementaux**

Chair: Garfield Dunlop  
Clerk pro tem: William Short

Président : Garfield Dunlop  
Greffier par intérim: William Short

### **Hansard on the Internet**

Hansard and other documents of the Legislative Assembly can be on your personal computer within hours after each sitting. The address is:

<http://www.ontla.on.ca/>

### **Index inquiries**

Reference to a cumulative index of previous issues may be obtained by calling the Hansard Reporting Service indexing staff at 416-325-7410 or 325-3708.

### **Le Journal des débats sur Internet**

L'adresse pour faire paraître sur votre ordinateur personnel le Journal et d'autres documents de l'Assemblée législative en quelques heures seulement après la séance est :

### **Renseignements sur l'index**

Adressez vos questions portant sur des numéros précédents du Journal des débats au personnel de l'index, qui vous fourniront des références aux pages dans l'index cumulatif, en composant le 416-325-7410 ou le 325-3708.

---

Hansard Reporting and Interpretation Services  
Room 500, West Wing, Legislative Building  
111 Wellesley Street West, Queen's Park  
Toronto ON M7A 1A2  
Telephone 416-325-7400; fax 416-325-7430  
Published by the Legislative Assembly of Ontario



Service du Journal des débats et d'interprétation  
Salle 500, aile ouest, Édifice du Parlement  
111, rue Wellesley ouest, Queen's Park  
Toronto ON M7A 1A2  
Téléphone, 416-325-7400; télécopieur, 416-325-7430  
Publié par l'Assemblée législative de l'Ontario



## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
ESTIMATESCOMITÉ PERMANENT DES  
BUDGETS DES DÉPENSES

Tuesday 18 May 2010

Mardi 18 mai 2010

*The committee met at 0902 in room 151.*

## MINISTRY OF GOVERNMENT SERVICES

**The Chair (Mr. Garfield Dunlop):** Good morning, everyone. We'll call the meeting to order. Welcome, Minister Takhar and all the folks from his ministry here today to take part. We have two and a half hours remaining in estimates for this ministry. We'll complete about an hour and 20 minutes this morning.

We'd like to begin with the official opposition. Mr. O'Toole, you can begin. You have 20 minutes.

**Mr. John O'Toole:** Thank you and your staff for being here again today. Hopefully, we can get some truth and justice this morning. That's a dramatic start, I thought.

We want to look first at—we have five key questions. They're really all kind of tied to a theme, and it's about exposing the lack of accountability. The direction of these things comes from the government side, not from the staff side. I've looked through pretty much all of the people who are in attendance here, and they're capable professionals.

When you look at the Management Board exemptions and the IBM tendering rules during eHealth, there was a number of untendered contracts during the Management Board exemptions. I would say to you that the Ontario PCs were given a brown envelope which had a spreadsheet that identified 54 sole-sourced contracts over \$25,000 that were exempt from the usual procedural rules.

Does that sound about right to you, the number that got through the Management Board exemptions? Or do you think it was more than that?

**Hon. Harinder S. Takhar:** I don't know what year you're talking about. If you can give me some period, maybe the deputy minister can give you some answers on this.

**Mr. John O'Toole:** I think there are about seven or eight of those specifically. We're getting down to the deeper layers. We went to the Courtyard Group, which has been known to be related to the party and to the fundraising and to some of the former staff. How many untendered contracts were handed out to Courtyard during this Management Board exemption period? Do you have that on the top of your head?

**Hon. Harinder S. Takhar:** Let me ask the DM. Maybe he can answer those questions.

**Mr. Ron McKerlie:** Ron McKerlie, deputy minister of government services, associate secretary of the cabinet and secretary of Management Board of Cabinet. Thank you for the question. I don't have the specific details in front of me in terms of the number of untendered contracts that would have been given out by eHealth Ontario.

**Mr. John O'Toole:** Well, we have, in this brown envelope—pardon me for interrupting; I hate to be rude, but there's such limited time here. It revealed that over \$10 million of untendered contracts were handed out over that period, above and beyond the IBM deal. There's no question about that. That was something the auditor discovered.

What is the total amount that was rushed out the door? Do you have any idea of the number of contracts that—before you get into the exemption period, how many contracts were rushed out in the last few days prior to that period?

**Hon. Harinder S. Takhar:** Nothing is ever rushed out. I think that is the wrong term. Everything is always thought through and goes through a certain—

**Mr. John O'Toole:** How do you know that they are sent out? Do you have a report daily or weekly? What method is used to control or to monitor these activities with contracts?

**Hon. Harinder S. Takhar:** I think anything that goes through the management and the treasury boards goes through a certain process. I will ask the deputy minister to lay out that process for you. Nothing is ever rushed out, if that term is being used.

**Mr. John O'Toole:** If they're given the Management Board exemption classification—this is what our concern is, that there were perhaps some rushed deals that were made. I suppose that's really the term that I think is applied here, because some of this the auditor discovered in eHealth. When there's smoke, there's fire, and at eHealth there's about a billion dollars that was—I think the rules that are in place today were put in place because it's an admission that these were rushed out, poorly monitored, and that there was interference on some of the contracts that were let out.

**Hon. Harinder S. Takhar:** I'm sure the member wants to get an answer, so I'll ask the DM to provide some answers.

**Mr. Ron McKerlie:** The process for procurement means that any procurement deal up to \$10 million has to come to the supply chain leadership council, which is an

ADM-level group that would look at the request for the procurement and ensure that it follows the rules. The rules would include either open, competitive tendering of that contract or use of one of the government's 72 vendors of record, where they could pick a number, three or four usually, of suppliers off that and go to a second-stage procurement process, or where there is a need, like an emergency, they can go to a sole source and sole-source that.

**Mr. John O'Toole:** Okay. That was a very good opening there. I think if there is a supply group, a leadership group of staff, deputies etc. that reviews these things, that's good. Has that always been in place? And is there another process where there's potentially a minister or the leadership within the government side that could intervene and say, "We've got to get this done"? Like ServiceOntario: That was kind of a rushed-out deal, and you were trying to make the pieces fit together as you went through that restructuring. I'm sure there was a lot of government hands-on engagement there, because it was fairly political. Some of these private issuers' networks is a good example, where you're taking some people out of business. It was a pretty dynamic thing. I know in my riding it's very dynamic. There were four or five that were just devastated.

This is a case where these contractual arrangements aren't just as steady and streamlined as you're trying to let on here today. I'll leave it at that. You said the \$10 million are all reviewed by a leadership group. We feel, according to the information we received—now, we're in the process of verifying it. There were 54 sole-sourced contracts over \$25,000. We'd like you to respond to that. This seems to me like it's outside of the definitions that you've provided this morning.

I also want to go into the next part here, which is the public sector expense reporting list. We all know that there's about 600 agencies, boards and commissions, but you only have 22 accountable in our view. How was the number 22 arrived at? What's the criteria?

**Hon. Harinder S. Takhar:** There are over 600 of what we call agencies, boards and crown corporations. We wanted to make sure that all the large corporations are accountable, and we have a certain process put in place. That's why the largest 22 were picked up: so that we can start with them. They will have to comply with certain processes which are consistent throughout the government. Also, we wanted to make sure that the expenses of the senior officials and the top five claimants go to the Integrity Commissioner and that, once the Integrity Commissioner approves them, they get posted. Also, the Integrity Commissioner has the power, if there are any expenses that don't meet the guidelines, to have those refunded. We picked up the largest 22 agencies from that point of view.

0910

**Mr. John O'Toole:** So I guess your rationale was size. If I was to verify the list of 600, all of the 22 that are on this would be the 22 largest. There are no exceptions made? Who set the rules up? Was that a cabinet minute?

How did these rules get set up? Who did you consult with? You said they're the largest. Are these agencies still on the sunshine list?

**Hon. Harinder S. Takhar:** Some of the agencies are very small, and some don't even have staff, so it's very hard to put each and every one on it. The other thing is—I answered this question before—that whenever you put certain internal controls in place, you have to weigh what the cost is versus the benefit that will come out of it.

For some of the recommendations that came out of the private member's bill with regard to improving the accountability, the cost was in the range of \$30 million. We'd have to have \$20 million to set up some of those processes and another \$10 million to go around every year. At the end of the day, you have to say, "Okay, you post all of these expenses, but are you going to save the \$10 million that you're going to spend to do that?" If the answer is no, it doesn't really make a lot of sense.

We are starting with the 22 largest agencies. We want to see how it works. Then we will see if it needs to be expanded on a cost-benefit analysis basis.

**Mr. John O'Toole:** That's good because you did mention the Truth in Government Act, which your government stood and voted against. I just can't believe it. I mean, I can see it in the election material; it will probably play a fairly important part there.

You just qualified it. You said you did a careful review—I'm going from memory here—and you determined that it would cost \$10 million on an annualized basis to maintain it. How much is a reasonable amount to spend to ensure accountability? Could you give me a number? Is it \$7 million? Is it \$6 million? Is it \$11 million? What number of dollars is a necessary amount to ensure accountability?

**Hon. Harinder S. Takhar:** I think you need to see where the exposure is. There are a lot of large agencies. We picked 22 of the largest agencies, to deal with this legislation.

You talked about the government voting against your bill. Actually, unfortunately, only six members of your caucus out of the 24 were present at that time. Any accountability measures that we brought in, you voted against them. So I'm not sure, actually.

I have a comment from the member here, and he actually made the same comment that I'm making. He basically said that we were increasing the bureaucracy, when we wanted to bring the ministers and the political aides and 22 of the largest agencies in this. You said, "This is going to increase the workload for the Integrity Commissioner," and that's exactly what we are doing—

**Mr. John O'Toole:** I guess you're in charge. My real point here is, how much is enough to ensure accountability? You seem to have arrived somehow, in some magic way, at this \$10-million deal. If you did the assessment analysis, and you know what it's going to cost to implement it, how much would it have saved? If you've been able to determine a number, \$10 million, to implement it on an annual basis, how much did you anticipate you could save?



**Hon. Harinder S. Takhar:** We don't know that.

**Mr. John O'Toole:** How could you determine what it was going to cost?

**Hon. Harinder S. Takhar:** Because we need to see what the—

**Mr. John O'Toole:** It's a completely irresponsible answer, because you've got to be able to say—you tried to explain that there's a cost to accountability. You've assigned a number, \$10 million—you probably made it up—and I want to know how much you could save out of a budget of over \$100 billion. How much do you think you could save with a bit more accountability, \$5 million worth?

**Hon. Harinder S. Takhar:** We have 22 of the largest agencies covered under this arrangement right now, to improve the accountability. We need to see what the experience is. We will see, out of the 22 largest agencies, how many of the expenses are actually returned, or asked by the Integrity Commissioner to see that the relief—so we should look at that experience. Once that experience is determined, then we will see what—

**Mr. John O'Toole:** I would just let the auditor—

**Hon. Harinder S. Takhar:**—could be some of the savings with the other agencies, if there are any.

**Mr. John O'Toole:** I think you should just let the Auditor General for Ontario loose on all of those agencies because then you'll get value for money and you'll also get—it won't all be about numbers. We would expand that. In fact, I see Mr. Mauro's talking there, so I would like to put that on the record, that he said that he wants to expand the list from 22 to probably 500.

**Mr. Bill Mauro:** Mr. Chair, I don't know if that's a point of order—

*Interjections.*

**The Chair (Mr. Garfield Dunlop):** Mr. Mauro, Mr. O'Toole has the floor right now. You'll get your say.

*Interjections.*

**The Chair (Mr. Garfield Dunlop):** Would you clarify what you think he said, Mr. O'Toole?

**Mr. John O'Toole:** It's on the record.

*Interjection.*

**The Chair (Mr. Garfield Dunlop):** Mr. O'Toole has the floor. You'll have yours in 24 minutes' time.

**Mr. John O'Toole:** If the minister will even give you 10 seconds, Bill. See, accountability—you're silenced. You've been sheeped out. You've been sheared.

Here's the deal: We were asked for \$16,000 from this minister for freedom-of-information inquiries. I have the bills in front of me: \$16,950.40. Would that be enough money to have more accountability?

You charge us so much that it's a barrier. You're creating these artificial barriers for us to actually get to the truth; \$16,000. Then there are delays. It's the same old story. We saw this in eHealth, we saw this inability to be accountable, and that, to me, is the downfall of your government.

**Hon. Harinder S. Takhar:** The answer to that is—

**Mr. John O'Toole:** What is an appropriate amount to spend?

**The Chair (Mr. Garfield Dunlop):** Mr. O'Toole, can the minister just answer that quickly?

**Hon. Harinder S. Takhar:** The answer to that is, this was the arrangement put together by the previous government in 1996. We haven't changed anything. Now you are living with your own processes and system that you put in place.

**Mr. John O'Toole:** Well, time changes everything.

Here's the real deal, Minister. Here's an example, and this is why I want it in Hansard: The public should know this. Deep inside the 2010 budget—in fact, on page 164 of the budget—you buried or cancelled an audit or review of the LHINs. I don't know why they buried it surreptitiously in the budget. Page 164—can you imagine that? This review was supposed to have taken place on March 28. In the LHINs, if you look closely at that, you've seen that the top earners—I hope I'm not embarrassing anyone here—were all over \$200,000 and they all got about 15% more—

**Mr. Paul Miller:** Any bonuses?

**Mr. John O'Toole:**—and they have a pension on top of that, but that's a whole different debate.

Here's the issue: We've learned in the budget that you cancelled that audit, that review of the LHIN, an agency. It doesn't provide one band-aid to the system, one ounce of patient care.

It sounds good, but there's an example of how you avoid accountability. At the end of the day, this section is about accountability and you've said nothing this morning that would assure me or my constituents that you are pursuing accountability rigorously. You've picked 22 agencies—probably hand-picked by the Premier—out of over 600 agencies. We have no idea what those agencies are doing; it sounds to me like it's basically out of control. That may be a bit overstated.

**Hon. Harinder S. Takhar:** Mr. Chair, maybe you want me to answer some of those questions?

**Mr. John O'Toole:** Sure, take a minute. I'm running out of time.

**Hon. Harinder S. Takhar:** Some of the processes that the previous government put in place—now it seems to me that what was good for us at that point in time is not good for them now.

The other thing is this whole thing about the earners and the pensions and all of that you're talking about at the highest levels—

**Mr. John O'Toole:** It's only in the last several years that it's gotten out of control.

**Hon. Harinder S. Takhar:** Hold on. Let me answer this.

**The Chair (Mr. Garfield Dunlop):** One at a time, guys. Minister, finish up quickly, and then Mr. O'Toole.

**Hon. Harinder S. Takhar:** Again, this performance-based system was put in place by your government. You should know that and that should be on the record.

The other thing is, I will be more than pleased to answer any questions if they relate to government services. LHINs are part of the Ministry of Health and Long-Term Care. I'm sure they're coming before you and you will be able to answer that.

0920

**Mr. John O'Toole:** I thought you were in charge of all contracts. Wait a minute here. There's some confusion.

**Hon. Harinder S. Takhar:** But let me answer one more question.

**The Chair (Mr. Garfield Dunlop):** Let him finish up quickly, then we'll go—

**Hon. Harinder S. Takhar:** The other thing I will say is that out of the 22 agencies, can you pinpoint to me which one you would like taken off and not include in this?

**Mr. John O'Toole:** We want more. We want more agencies. We want complete disclosure. Here's the deal though: Our research people—because of the limited budget we have we try to stay within budget, unlike the government—have found that the LHINs had \$7 million in untendered contracts. Now, would you first be made aware of those contracts? Are you made aware of the LHIN contracts?

**Hon. Harinder S. Takhar:** Do you want an answer to that question?

**Mr. John O'Toole:** Yes—short, a one-liner.

**Hon. Harinder S. Takhar:** Let me pass it on to the DM.

**Mr. Ron McKerlie:** Thank you for that. I think I'll invite Marian Macdonald, who is the ADM of supply chain management. Marian, while she doesn't have oversight for all of the procurement that happens in all the other ministries, does have responsibility for the procurement directive within the Ministry of Government Services, which does apply, through a MOU process, to the agencies.

**Mr. John O'Toole:** I hate to rush you, because, you know, we just get limited time here. Do you review the LHIN contracts?

**Ms. Marian Macdonald:** Procurements by LHINs are managed directly by the LHINs themselves, with oversight from the Ministry of Health and Long-Term Care, so questions specifically about any LHIN contracts would be better directed to the Ministry of Health.

**Mr. John O'Toole:** You see, this raises a whole subset of questions. I guess they'll be taken up in the Ministry of Health because that's about half the budget.

**The Chair (Mr. Garfield Dunlop):** Two minutes left for Mr. O'Toole.

**Mr. John O'Toole:** You don't have control of half the budget? Holy smokes, this is even worse than I thought it was. Here's one thing here too: There are 40 contracts to the US cross-border care contract providers. These are preferred providers. Would you know anything about them? There are 40 contracts to the US health care providers. Would you know anything about those contracts?

**Ms. Marian Macdonald:** We would not consider those, under the procurement directive, to be procurements by the government of Ontario, so they would not come through the oversight of the supply chain leadership council, and again, are better directed to the Ministry of Health and Long-Term Care.

**Mr. John O'Toole:** I don't blame you, Ms. Macdonald, at all. It sounds, from your previous presentation,

that you're doing the best you can with what you've got. Here's the key, quite honestly: Half the budget—what they're telling me this morning—is not accountable by all these fancy rules they talk about, whether it's \$5 or \$10 million.

**The Chair (Mr. Garfield Dunlop):** You have one minute, Mr. O'Toole.

**Mr. John O'Toole:** With the last bit of time I have here, I'm going to try to boil it down to the most appropriate. Here's what we're finding when you look through the government: You're finding exemptions throughout the system. There are Management Board exemptions. We found out there are 54 sole-source contracts over \$25,000 each that no one is looking after. Some of these are going to the Courtyard Group. I've heard from you that there is a supply-paying review for all contracts over \$10 million, but it sounds like a lot of stuff—not just health and those other agencies—are not under your purview at all. They have all the autonomy in the world to go out and waste taxpayers' money. Have you got any plans for the auditor to go in randomly and look at some of these agencies?

**Hon. Harinder S. Takhar:** Let me ask the DM about this.

**The Chair (Mr. Garfield Dunlop):** This has to be done very quickly.

**Mr. Ron McKerlie:** As chair of the corporate audit committee, I can tell you that we put our audit resources into our agencies on a rotating basis, and we have started that over last year. Part of that process is to ensure that they are compliant with our own procurement, travel and meal hospitality directives.

**The Chair (Mr. Garfield Dunlop):** Thank you very much. We'll now go to the third party. Mr. Miller, you have the next 20 minutes.

**Mr. Paul Miller:** Good morning, Minister, deputy ministers, and everyone else involved. I guess I want to ducktail upon something the former speaker said about accountability in reference to consultants. As you know, the eHealth scandal last summer hit the pages. We've done some research, and apparently, the information we get is that out of the \$388 million that was spent in five years on eHealth, they got actually \$100 million worth of hardware, programs and software for their costs. The remaining money went to consultants, and we've heard horror stories about lattés, Tim Hortons, car washes, and all the ugly things that have come out.

You mentioned earlier 22 agencies that you've red-flagged, large ones that you would like to have some accountability. I don't even want to begin to think how much money was spent on consultants in the 21 other than eHealth. I'm willing to bet it's hundreds, maybe billions of dollars. You mentioned that you have indirect or direct control over 600 other small agencies, even some small municipalities, if I understand correctly. If that's the case, what are you going to do about the billions?

What I could do with a billion dollars in Hamilton: I could feed all the poor, I could create jobs, I could build



factories. That's one agency out of the 22 that you mentioned—\$200 million to consultants. Can you imagine if we multiplied that to the 600? I'm sure you don't even have a number for that. I'm willing to bet it's billions.

The people of Ontario deserve better. Billions of dollars are going out the door. Whether it's Conservative-friendly consultants or Liberal consultants, it doesn't matter to me: It's money wasted for no productivity or very little productivity. It's a disgrace. What is your ministry going to do to stop this crazy amount of money going out the door to consultants, where we don't get a bang for our buck?

**Hon. Harinder S. Takhar:** I think it's important for us to realize what the role of this ministry is.

**Mr. Paul Miller:** Contracts.

**Hon. Harinder S. Takhar:** Yes, the role of this ministry is to develop policies and procedures that the other ministries or the other government agencies comply with. That is our role. So it's important for us to let you know what we have done in order to improve accountability for the consultants based on some of the not-so-good experiences that we had in the agencies. I'm going to ask the DMs to lay out exactly what we have done with regard to improving accountability for consultants.

**Mr. Paul Miller:** Can I say one thing? Sorry to interject before you start, Deputy. I want to clarify: You said that your ministry's in charge of contracts. Contracts are consultants—

**Hon. Harinder S. Takhar:** No, I didn't say that; I said our ministry is responsible for developing the policies and the processes to—

**Mr. Paul Miller:** Do you enforce your own policies, Minister?

**Hon. Harinder S. Takhar:** Yes.

**Mr. Paul Miller:** It doesn't look like it.

**Hon. Harinder S. Takhar:** Let's just tell you, right? Let the DM take you through before you come to that conclusion.

**Mr. Ron McKerlie:** First of all, just to set the record straight, there are 255 classified agencies. There are more agencies, boards and commissions, but for other entities, we only appoint to the board, like someone to a police services board, for example. If we're talking about classified agencies, the number we should be talking about is 255.

MGS, as you know, is responsible for the procurement directive for government. In that procurement directive, there are ways to engage consultants—and there are valid uses for consultants. We use them in I and IT to handle peaks in workflows, we use them where specialized skills are required and those skills are not available by employing somebody or adding somebody permanently to the Ontario public service.

Agencies have similar needs, where it doesn't make sense to hire somebody in and augment their head count permanently. Rather, they can use somebody on a temporary basis, i.e., hire a consultant.

In the last year, we've done a couple of things to make sure that the use of consultants is controlled and is done

in a reasonable, measured manner. One is, we've redone the vendor of record for the use of task-based consultants to drive down the per unit cost or the daily rates that consultants would charge the government. In doing that when an agency, a ministry or someone in a ministry has to go out and secure consultant resources, if they use the vendor-of-record process, they can get better rates than they would normally.

Secondly, in our own use of IT consultants, since 2003 we've taken 1,415 positions and are in the process of converting those from consultants to full-time, FTE. Then we've also set up for IT, which is a big user of consultants, a process called IT Source, where we've hired staff, we have trained and we are deploying them like we would deploy consultants, so they will work on multiple projects.

Fourth, for all agencies, boards and commissions that are governed by a memorandum of understanding between the ministry and the agency, we have ensured that they are captured, either directly or as another entity, by the procurement directives of government so that they understand how to secure consultants, that they need to be done either through an open, competitive process or through the vendor of record process.

0930

**Mr. Paul Miller:** Thank you. I just wanted to ask, how do you—that's great; that's a great program, great oversight, I think.

How many times do you actually send out a directive to any of these agencies and warn them that they're not following your directives or your guidelines? How many have you actually got on file that you've sent out and said, "Smarten up. We don't like what we see"?

**Mr. Ron McKerlie:** The three that our internal audit group has worked with; for those, two of them, we would have had direct communications—

**Mr. Paul Miller:** Two?

**Mr. Ron McKerlie:** —in the last six months—

**Mr. Paul Miller:** Out of 255?

**Mr. Ron McKerlie:** In the last six months, we would have had direct communications with those agencies. We would have warned them that they were not in compliance with the procurement directive. We have also put in place mandatory training now, since the challenges we have had around eHealth, to get everybody who is responsible for procurement, either within the government or in our agencies, through an online training program, to help them understand the rules and responsibilities they have to follow around procurement. So we trust that will be helpful, too, in terms of getting people to comply.

**Mr. Paul Miller:** Okay. My next question is about estimates and government services. Minister, you have the responsibility for ServiceOntario, which is meant to provide information to the public on a wide range of Ontario government services. Not all ServiceOntario centres provide the wide range of services advertised on the first page of your website. For example, the Parry Sound office provides only advice and consultation services for small business and entrepreneurs from 8:30

a.m. to 4:30 p.m., Monday to Friday. The Nipissing office's hours are only during the regular work week; however, the Burk's Falls and Powassan offices are open on Saturdays. You claim that you want consistency in your ministry; you want good service for the people of Ontario. Why are only some of your offices open on Saturdays?

**Hon. Harinder S. Takhar:** Let me answer this question. I think we are undertaking a major modernization project for ServiceOntario right now, and at the end of this year, hopefully, we will have about 300 permanent locations; two thirds of them will be under what we call the private issuers' network; one third will be under the government offices.

Once all that is complete, there will be some sort of consistency in terms of the services that we provide, which means not only can you get the driver's licence and the vehicle licence, but you will also receive health cards from the same locations. It is going to increase service considerably.

In rural communities, for example, the routine health card services will be extended from two to 163 locations; in northern Ontario, it will go from six to 67; and, 95% of Ontarians will get within the 95%—but all of this modernization project is going to be completed by the end of the year.

As far as the service hours are concerned, it will be based on the needs of the communities and what kind of service hours we need to provide there. In some communities there's a bigger need; in some communities there's a smaller need, so we'll look into the needs of the communities and we will adjust the hours.

**Mr. Paul Miller:** Well, I'm glad you're doing that, Minister, because you might want to provide telephone numbers of the previous offices because there are none listed. There aren't any open for telephone requests—none for office hours. So that's amazing that you've got service places where they don't even have the numbers listed. I can't believe that—for the ones I mentioned.

**Hon. Harinder S. Takhar:** Actually, I'm surprised, but if it is, we need to move to some sort of consistency in terms of the services we provide, and also—

**Mr. Paul Miller:** That's good. So if you're following the Toronto model for ServiceOntario, Toronto's 311 program, I believe it's called, is open 24 hours a day, seven days a week. Are you going to model the rest of Ontario like that or are you just going to use it for the major centres?

**Hon. Harinder S. Takhar:** Actually, I just said that it will be based on the needs of the community. But I will ask the DM; he has a lot more details to answer this question.

**Mr. Bob Stark:** Bob Stark, deputy minister and chief executive officer of ServiceOntario.

First of all, in terms of the telephone services that we provide, we have a general inquiry number—

**Mr. Paul Miller:** Which is useless, by the way; you wait hours.

**Mr. Bob Stark:** We have a general inquiry number that can provide all of the information with regard to the

office hours. We also have it clearly defined on our website. In fact, you can do a search by community and find out—

**Mr. Paul Miller:** The hours of operation?

**Mr. Bob Stark:**—the nearest office and hours of operation. As the minister described, we're going through an evolving process this year where we are integrating services in the 300 locations.

The reality is there will always be differentiation by channel. Our kiosk channel or our online channel, for example, is limited in terms of things like taking photographs and that sort of thing. Obviously, we can't do that through those channels. We'll always have a need for people to go to our public-facing offices for some services. Other services they'll be able to do online.

**Mr. Paul Miller:** One of the biggest complaints I get is the time period, waiting. You get switched from number to number. It's like the usual thing when you're trying to phone the government, trying to get a hold of something, and you get bounced all over the place and finally—you just want a voice on the other end of it instead of a tape machine all the time. Maybe you might want to look into that too because there's great frustration out in the public about trying to get something out of the government. I'm sure you've had complaints.

How much did it cost for the ministry to provide these information services? How much has it cost so far to implement ServiceOntario? What is the projected cost of the centralized system you've been talking about, both to your ministry and to the parent ministry?

**Mr. Bob Stark:** First of all, the process that we've been through over the past few years is we have moved services from various ministries to ServiceOntario. In the process, we have transferred the costs associated with those services from other ministries to ServiceOntario, so we've seen a growth in responsibility and a commensurate growth in our budgets to run those services.

In terms of measurement of our business—and our primary focus is around customer satisfaction. We survey independently on a regular basis and we enjoy a satisfaction level that reflects 77% of our customers being very satisfied. That is across all of the channels that we provide service through. Just as the name implies, as I say, our focus is around the customer service elements.

In terms of the financial elements of our business, we run very much on a project basis. If we are redeveloping an application system to provide a new service, we would go forward, get approval for that project, reassign the budget to go with that, and then we track ourselves against the delivery and the financial elements of that. On an ongoing operating basis, we measure ourselves based on the unit cost of providing service to citizens. We would provide in the order of 44 million transactions a year. That cost is reducing over time; our operating costs are reducing over time.

**Mr. Paul Miller:** Okay, thank you. Issuing drivers' licences, certificates and various documentation is done through ServiceOntario. I've had several complaints about the waiting time for birth certificates and things



like that. I don't know where you get your 77% from, but that's fine. What involvement does the ministry have in the work of ServiceOntario as it represents ministry programs? Do ministries provide guidance for its operations? Do the ministries initiate anything now like directing ServiceOntario to issue new licences, certificates etc.?

**Hon. Harinder S. Takhar:** Let me just answer the question on birth certificates. I'm actually very surprised that you made that comment that there's a wait time on the birth certificate. It used to be six, seven or eight months, and now you can get it in less than 15 days. There's a money-back guarantee available. You can fill it in online and you will get it within 15 working days. There should be no wait times. There's a money-back guarantee if you don't get it within—

**Mr. Paul Miller:** It's not that, what I'm talking about. Even though I was interrupted, I'm not talking about that. I'm saying sometimes, people make a small error for various reasons; there could be a language barrier, there could be something. It goes in and, through no fault of the ministry, there's a long period of time trying to correct it, is what I'm trying to say, and you try to get a hold of somebody directly to correct it.

You're saying 15 days under normal circumstances. They may have spelled the street wrong or various things that happen. I'm talking about the correction and the ability to correct something quickly, not so much your 15-day guarantee—it's almost like Midas muffler—but that's not what we're saying here. I'm talking about the imperfections done by the public who, for no fault of their own—

**Hon. Harinder S. Takhar:** Yes. I mean, if the information is wrong, right?

**Mr. Paul Miller:** It can happen.

**Hon. Harinder S. Takhar:** Yes, it can happen. But the point is, then you have to provide the right information to the right person. Then it will get corrected.

**Mr. Paul Miller:** That's what I'm trying to say. The person will come in, they'll find out they didn't get it in three weeks or 15 days, and my person in my office will say, "What's the problem?" They'll take a look at it, they'll see the error and they'll send it in. It certainly doesn't come back that quickly after there's been an error—

**Hon. Harinder S. Takhar:** Okay, let the DM—

**Mr. Paul Miller:** Let me finish—because they move on to the correct ones on their pile of things. The one that was incorrect may go underneath for a while because it wasn't sent in right in the first place, and the person on the other end of the phone is ticked off because the person didn't fill it out right. That happens.

0940

I'm wondering, have you got a special person who deals with incorrect ones that are filled out wrong for whatever reason? As I stated before, it could be a language barrier. Do you have a person who deals with them instead of putting them to the bottom of the list and dealing with all the good ones? Then maybe it takes

longer than your 15-day guarantee, and you can use that—not as an excuse—but say, "Well, you didn't fill it out right."

**Hon. Harinder S. Takhar:** Okay, let the DM answer that question.

**Mr. Bob Stark:** Thank you very much. First of all, to be clear on the money-back guarantee, our success rate is over 99.5% of the time that we're delivering it—

**Mr. Paul Miller:** How much?

**Mr. Bob Stark:** Ninety-nine and a half per cent of the time we're delivering—

**Mr. Paul Miller:** Can I get those figures?

**Mr. Bob Stark:** Absolutely.

**Mr. Paul Miller:** That's pretty good service.

**Mr. Bob Stark:** It is very good service.

**Mr. Paul Miller:** Ninety-nine and a half—I'd like to see that.

**Mr. Bob Stark:** We'll, I'd be happy to share that information.

In terms of the exception situations, this is where it gets very sensitive. I don't need to tell you that a birth certificate is a foundation document. You cannot have those going to people who shouldn't be receiving them. When somebody fills out an application and doesn't have the relevant information, it raises concerns around whether we have a legitimate request, so it goes through an extra scrutiny process that can take it a bit longer to get processed. We measure all of those exceptions; we monitor them very closely. Our number one objective is to make sure that we don't put a birth certificate in the wrong person's hands.

**Mr. Paul Miller:** Okay. I guess my last question—

**The Chair (Mr. Garfield Dunlop):** You have two minutes left.

**Mr. Paul Miller:** How many ServiceOntario counters, offices and kiosks are staffed by the public service, and how many are privatized?

**Hon. Harinder S. Takhar:** I'll try to answer that question. Two thirds are private; one third is going to be government by the end of the year.

**Mr. Paul Miller:** Okay, thank you. The Ministry of Transportation has contracted out, to private owners, driver's licence issuing offices. In the new ServiceOntario world, what will happen to these privatized driver's licence offices that now deliver only driver-related documentation?

**Hon. Harinder S. Takhar:** All ServiceOntario centres, by the end of the year, once we finish our modernization process, will offer the same standard services everywhere, whether it's private or government.

**Mr. Paul Miller:** That's good to hear. I hope that happens.

**The Chair (Mr. Garfield Dunlop):** You've got about a minute and half there.

**Mr. Paul Miller:** Thank you. That's it.

**The Chair (Mr. Garfield Dunlop):** Nothing else?

**Mr. Paul Miller:** That's it.

**The Chair (Mr. Garfield Dunlop):** Okay, We'll go to the government members, then.

**Mr. Bill Mauro:** Minister, thank you very much for being here this morning.

I have a question this morning in regard to something that was posed to us last week when the committee first started meeting, something that I don't think, for most people, has an extremely high profile, but it was something that one of the other members of the committee decided that they wanted to focus on a little bit, and that's fine. I'm not sure, perhaps because of the lower profile that the item had, that it was something that you and your staff were fully ready to answer as well as you might have liked. I'm interested this morning if you could provide some clarification on that particular issue. It has to do with this concept of Privacy by Design. I'm wondering if you can provide for us this morning a little bit more information about that.

**Hon. Harinder S. Takhar:** Thank you very much for the question. Actually, I will let the expert answer this question. We have the information and privacy officer here, Mark Vale, and he should be able to give you a little bit more insight into this issue.

**The Chair (Mr. Garfield Dunlop):** Name, sir?

**Dr. Mark Vale:** Good morning. I'm Mark Vale, chief information and privacy officer for the government of Ontario. Thanks for the opportunity to respond to this question.

We want to be clear: We've been in contact with the Office of the Information and Privacy Commissioner, and the commissioner has provided us with further clarification from her point of view. The commissioner has advised us that the Office of the Information and Privacy Commissioner of Ontario has requested an official mark for the term "Privacy by Design." The request was submitted in early May and is presently being processed by the Canadian Intellectual Property Office. The commissioner advises that the request for an official mark is to protect the work of the commissioner, as she has developed Privacy by Design since the mid-1990s. The commissioner has used this concept very successfully to get organizations to be more proactive in protecting privacy in all business applications, and to treat privacy as a core part of their business.

Official marks are similar in principle to trademarks. Under the federal Trade-marks Act, an official mark is "any badge, crest, emblem or mark ... adopted ... by any public authority, in Canada as an official mark for wares or services."

The commissioner has also requested that we clarify that the commissioner does not hold a trademark in Privacy by Design. At the present time, we understand that there is a trademark registered for Privacy by Design with the federal government, with Industry Canada, and that trademark is held by a private Ontario corporation.

**Hon. Harinder S. Takhar:** Okay?

**Mr. Bill Mauro:** Yes. Thank you very much. I'm just wondering if you could—a little bit more. It has been around since the mid-1990s? Is that what you said?

**Dr. Mark Vale:** It has been used generally to describe a process where privacy principles and privacy protection

are built into system design or program design so that we, in a sense, operationalize or make privacy protection operational, whether it be in our information systems or in our administrative procedures.

**Mr. Bill Mauro:** Okay, so when we say mid-1990s, are you able to pin it down a bit tighter for me in terms of when it actually became part of what we do?

**Dr. Mark Vale:** Well, I'd be hard-pressed to point to the first usage of it worldwide—

**Mr. Bill Mauro:** I mean here, within Ontario.

**Dr. Mark Vale:** The best I could do today is say the mid-1990s. I know the commissioner has been using it very successfully, as I say, since the mid-1990s.

**Mr. Bill Mauro:** So, Mr. Chairman, I wonder if we could ask staff or somebody to get back to us. I'd really appreciate knowing exactly when we first began using it.

**The Chair (Mr. Garfield Dunlop):** Sure, you can ask the question.

**Mr. Bill Mauro:** Thank you very much.

**Hon. Harinder S. Takhar:** Deputy, do you want to add anything to this?

**Mr. Ron McKerlie:** No, I think Mark covered it. Thank you.

**The Chair (Mr. Garfield Dunlop):** Mr. McNeely?

**Mr. Phil McNeely:** Thank you, Chair, and thank you, Minister, for being here again today.

I was a member of the public accounts committee for about two and a half years, I believe, and certainly working with the Auditor General was something that was very interesting—an interesting committee to be on. I could see the changes as we were going forward, and the good work. The auditor had expanded his purview of what was his duty.

Can you walk me through the changes that we have made to the procurement policy framework—because procurement was a lot of the issues that we dealt with with the auditor—and the changes since 2003 which have helped streamline the process and have brought greater accountability to our government's purchasing practice? That seemed to be the essence of the Auditor General's work and our work on public accounts, so it'll be just interesting to hear your perspective on that.

**Hon. Harinder S. Takhar:** Okay, thank you very much. Through you, Chair, let me just talk about the broader things that we have done, and then I'm going to ask Marian Macdonald, who's the assistant deputy minister, to walk you through the details.

We have made significant changes to the procurement policy framework, which have indeed brought increased transparency to the process. Let me just take you through some of those changes.

The procurement directive ensures that our OPS buyers respect the policies and laws of Ontario. The procurement directive also reflects best procurement practices in both the private and public sector. This includes requirements for procurement planning, approvals and documentation. The procurement directive applies in its entirety to all government ministries; advisory, adjudicative and regulatory agencies; as well as any other



agency as directed by the Management Board of Cabinet. So basically, it applies to everyone. For the first time, the mandatory section of the procurement directive on procurement principles, planning and approvals now applies to all other agencies, including the Ontario Lottery and Gaming Corp. and eHealth Ontario as well.

A separate procurement directive exists for the acquisition of advertising, public and media relations and creative communications. That directive also adheres to the same obligations as the broader procurement directives.

So I'm going to ask Marian to take you through what it was before, what it is now, how it is different and what kinds of checks and balances are in place.

0950

**Ms. Marian Macdonald:** Thanks, Minister. I apologize; I didn't identify myself earlier. I'm Marian Macdonald, assistant deputy minister of supply chain.

As the minister said, the procurement directive has gone through some iterations over time. Since 2003, there have been many changes introduced to strengthen transparency and accountability in the procurement process. Starting in 2003, the government established new rules for both the acquisition and management of consulting services, including lowering the threshold value for open competitive procurement and new approval authorities; that is, that those requirements came in at much lower thresholds than previously.

In 2004, the procurement directive on advertising and creative communications was changed to require a competitive process for projects over \$25,000, and in 2005, the directive for public relations companies was changed to require a competitive process for projects also over \$25,000.

You've heard both the minister and the deputy refer to the supply chain leadership council. We established the SCLC, as we call it, in 2006. It is a government-wide executive committee comprised of 10 assistant deputy ministers drawn from across our IT clusters, our line ministries and our program areas to review all procurements valued at over \$1 million and make recommendations on all procurements valued at over \$10 million.

In 2007, we issued a new procurement directive that streamlined, simplified and clarified our procurement policies. This new directive replaced what were then three different procurement directives, one on general goods and services, one on consulting services and one on information and information technology, which could often be confusing to our buyers as to which directive they should be referring to. The one new directive confirmed the requirement for ministries to submit annual procurement plans in required ministries and introduced some new policies, including post-contract award notification and making mandatory vendor debriefing.

Most recently—this committee has heard about a new directive issued in July 2009, which was approved and communicated across government, reflecting a greater commitment to accountability and controllership, particularly in the acquisition of consulting services, and also

ensuring that new rules regarding hospitality, incidental and food expenses from consulting services were introduced into that procurement policy.

Many of the improvements to Ontario procurement policies have focused on the government's use of consulting services. Again, in 2001-02, which I believe was the first fiscal year that data was made available for and collected on procurement expending on consulting services, consulting services were reported at \$656 million. As of March 31, the end of the 2009-10 fiscal year, consulting services spending is reported at \$304 million. This is based on information that we draw from our integrated financial information system, IFIS, and this represents actual invoices that we have paid relative to consulting services.

We believe that these reductions are in part due to measures such as greater controllership that requires ministerial oversight of non-competitive procurements; strengthening the OPS's internal capacity; the deputy talked earlier about 1,415 positions that have been approved for conversion to replace work previously done by consultants; and the creation and implementation of IT Source. All of those changes have been made to our procurement directives since 2003.

**Hon. Harinder S. Takhar:** Let me just say that I think the government, on a continuous basis, has updated its procurement policy framework to achieve some of the following objectives. One is the economy of scale, the other is effectiveness, and then the efficiency and ethical behaviour of the people who are doing the purchasing.

In the past year, updates requiring environmental certification of commodities like paper and introducing greater accountability in the acquisition of consulting services have been introduced.

But I think the basic concept behind purchasing is value for money, that we need to get value for money. We want to do it by using an open and fair competitive process when we are acquiring goods and services from outside.

Just to give you some idea, one of the main functions is that we have to have vendors of record, right? We have to have people who we are buying from. That is done through a highly competitive process. The vendors are routinely selected through a competitive process.

On average, Ontario does business with 50,000 suppliers every year. Approximately 95% of those are located in Ontario. The government of Ontario is strengthening the Ontario economy through a procurement policy framework that promotes cost-effectiveness alongside environmental and social benefits as well.

We take all those things into account when we are developing our policies and procedures. We need to look at the economy; we need to look at the fair and open process. We also want to make sure that we get the best value for money.

We also constantly update it; at the same time, we train our people, too, so that the whole procurement process takes place in a very open and competitive environment.

**Mr. Phil McNeely:** I have just a little question; you've mentioned part of it. Strengthening the IT capacity of government purchasing is so important and has presented so many problems to so many governments and so many private industries in the past who have not known that. Can you just go over how you're strengthening the IT that we have? Infrastructure Ontario was developing that expertise. I'd just like to hear a few words on how that IT capacity is being increased. I know you're hiring permanent people rather than having consultants, so you will be retaining that capacity. I think that's so important, and I'm glad that you're going forward with that.

**Hon. Harinder S. Takhar:** Let me just talk about two of the main items that we are doing. Then maybe the DM can pick it up from there and talk about the other stuff.

One is, we are actually moving towards having more people on staff other than consultants. Our strategy is to convert 1,415 jobs from consultants to full-time employees. It does two things. One is, it keeps the expertise inside. The second thing it does is it actually saves money: It's a \$58-million saving on an annual basis as we move forward with that.

The other thing is sometimes consultants are hired for their special skills. What we are doing is, within the OPS, we are trying to develop a special section where certain people will have certain skills, and they can move from ministry to ministry, from project to project, rather than sitting in one place. What that will ensure is that we will have our own consultants within the government, rather than employing from outside. Wherever the need of their skill is, those people will move there. Again, it is to retain the skills and the expertise inside. Also, it saves money as well.

Our problem has been that there are a lot of legacy systems, which are very old systems. The government is moving, in a very systematic way, to convert those legacy systems to the new systems. The legacy systems require very different types of skills; the new systems require very different types of skills. So you are still retaining people with the expertise on the legacy system, and you're also developing them on the new systems. It's a very different variety of skills that you are talking about.

I'm sure the DM can talk about this for hours.

**Mr. Ron McKerlie:** Going back a few years, the government had significant challenges with running large I&IT projects. The government commissioned a report. Denis Desautels was the head of that report on the management of large-scale I&IT projects.

That report generated 16 recommendations, which the Ontario public service has worked hard over the last couple of years to bring into being. One was to set up a project approval committee, which we call the IT project approval committee, or ITPAC, which reviews all projects between \$1 million and \$10 million and also reviews larger projects with the idea that they would then come before treasury board for the ultimate approval. As part of that, we've put in place an IT gateway project, as it's called. There are gates zero to four; zero is an implementation gate.

There's rigour around the process. IT projects have to be developed. They have to have complete plans and resources. They have to have project managers assigned to them. They have to have business and IT leads so that business and IT are working together. That has put a lot more rigour around the management of those large IT projects.

We've also implemented a standardized project management methodology, which requires all large I&IT projects to use that consistent methodology. In one of our clusters, we've created an IT management centre of excellence. That centre of excellence is using project management methodologies, training project managers in those methodologies and then ensuring that, as they get assigned to projects, each project is running with skilled project managers on those projects.

We've also put in place quarterly reporting to treasury board and Management Board of Cabinet. So right now we track 22 large IT projects; about half of those would be government-run projects and about half of those would be eHealth projects. We report on those. We also report back to treasury board and Management Board of Cabinet on all of the other projects under the \$10 million that were approved in the last quarter by ITPAC. So they would have information regularly on those and can take a look at them. We would drill down on ones that are going off track.

1000

**The Chair (Mr. Garfield Dunlop):** You have about a minute left on this round.

**Mr. Ron McKerlie:** Thank you. It's also now required that all IT projects go through a post-mortem process when they're complete. That would look at what went well, what didn't go well, what the opportunities for improvement are, and those learnings, then, are taken back to the project management centre of excellence, and as new projects come on stream, they would use those learnings to improve the next project.

Those would be some of the things that are very helpful. A couple of other things: In procurement, now, for large IT projects, we've started to put in project off ramps so if a project looks like it's not going to meet the needs, there is an exit provision that's available so that we don't have to see a project that isn't delivering the intended results right through to completion. We've contracted for exit opportunities, for example. Those are having good success. Most of the projects run by the government would be green on budget and green on timing, so that's a big improvement over where we were, if we go back five or six years in time. The disciplines are, frankly, helping us a lot in terms of focusing on the best practices, learning what works in delivering large IT projects into government and then making sure that that is relayed out to other projects as they come on board.

**The Chair (Mr. Garfield Dunlop):** Thank you very much, sir. Okay, we'll now go to the final 20 minutes this morning, to Mr. O'Toole, the official opposition.

**Mr. John O'Toole:** Yes, time does draw to a close here soon. I just want to follow up on a couple of points



that have been raised today. To the deputy, you were saying that there were only 255 agencies, boards and commissions. Now, I'm not presuming it's right or wrong; I'm questioning it. The information we have, or at least that I've been given, uses the number 600 rather casually. I'd like a list and distinguishing features between some of those that are or are not agencies, called ABCs. I have a research report that was provided by Larry Johnston, one of the research officers, that lists—and there's more than 255 on this. That report was issued on May 27 last year, so it could be out of date. So that's more or less a request. It's not a criticism or—

**Hon. Harinder S. Takhar:** We can give you some information.

**Mr. John O'Toole:** We need to have a better handle on that. I am going to be referring from that point on to 255 as the number, and we'll see where that leads.

We were reviewing, in the House yesterday, the bill introduced—now, it's not your ministry; it's your counterpart, the new, young minister who took over the other part of what used to be—

**Hon. Harinder S. Takhar:** Consumer?

**Mr. John O'Toole:** Yeah, the consumer part. Bill 65 is reviewing the not-for-profit agencies. It has a significant amount of—I've only just briefly looked at the preamble section and a couple of the clauses. The governance model is changing significantly. What role does your ministry have in these not-for-profit agencies, if any, as mentioned in that bill?

**The Chair (Mr. Garfield Dunlop):** Minister.

**Hon. Harinder S. Takhar:** Let me just answer the first question. In total, there are more than 600 agencies, boards and commissions. What the deputy minister was speaking to was the classified agencies, which are 255, like the adjudicative boards, the advisory boards, the crown foundations, the operational enterprise—

**Mr. John O'Toole:** That's good. If you give us that list, that'd be great. I don't have any specific drill-down questions there. We're using different numbers, so I thought we should all have the same list.

Could you give me some idea of the cost of operating not just the 22 agencies that you're monitoring, which are the biggest, but also a breakdown? Some of them are very small, innocuous little agencies. I'm sure they probably only meet once a year or something like that anyway, so if you could give us a cost. What would the estimated cost to operate these 600 agencies be? Where would that number be found? They wouldn't file themselves, but the revenue basically comes from you.

**Hon. Harinder S. Takhar:** The agencies have their own operating budgets as well, but certain agencies are under certain ministries, and their budgets are actually in those ministries. For example, we've got some boards, so their budget will be in the Ministry of Government Services. The others will be in their own ministry.

**Mr. John O'Toole:** It ultimately shows up in the government services, or whatever ministry overlooks it; is that right?

**Hon. Harinder S. Takhar:** Whatever ministry overlooks.

**Mr. John O'Toole:** Is that where it shows, though, in their budget, their total expenses?

**Mr. Ron McKerlie:** It would depend. Some of the operating agencies, like the LCBO for example, would have their own budgets. They're managed by their own board, and they would remit a dividend to the government. There wouldn't be a net expense; there's a net benefit, obviously, that flows back to the government.

Some of the agencies have ministry budgets, so we would have a budget for a couple of the agencies that report to the Ministry of Government Services. That would pay for their staff, their space and any expenses that they would have.

**Mr. John O'Toole:** Yes, okay. That's good. I would expect, with some research capability, we'd be able to find out that stuff, too. I'd just like to get it on the record.

You did say that it was the 22 large agencies. I just quickly looked through the incomplete list that I have, and I wondered where some of the cultural agencies would be. Some of those are fairly important agencies, if not critical, like AGO—the Art Gallery of Ontario—and the Royal Ontario Museum. They're all part of the agencies. Are they not large? Is it just their board that we'd be overseeing?

**Hon. Harinder S. Takhar:** What I said was “22 of the largest agencies,” so there are other large agencies as well.

**Mr. John O'Toole:** Okay. There are a lot of large ones, and I'm wondering why they're not on there. For instance, where are the LHINs? Why aren't they being—are they kind of on a free pass here, a go-past-jail pass?

**Hon. Harinder S. Takhar:** I think this question was answered in the House as well. The Minister of Health and Long-Term Care has sent directives to the LHINs to post their expenses on their website. As I understand, the LHINs have agreed to do it, so I'm sure the member would be able to find all that information once it's posted on their websites.

**Mr. John O'Toole:** Yeah, well, there are a lot of these agencies. This is taxpayers' money, and it's a way of just hiding the real thing here.

Under finance there are two or three there that are huge. The Ontario Securities Commission is a serious agency, big time. FSCO is another one. All the pensions are bankrupt; who are you kidding?

*Interjection.*

**Mr. John O'Toole:** No, they're all in trouble. I'm not sure they're well-staffed—meaning enough staff. Maybe you have to hire more. I have to understand that.

I would say here the other one is the Ontario Financing Authority. That's the one that raises all the dough. They're all civil servants. They make \$500,000 a year, these guys.

*Interjection.*

**Mr. John O'Toole:** I'm serious. I've met a couple of them, and they're capable, too. The LHINs are another one.

I'm surprised at these agencies. Have you got any plan to expand this list of oversight?

**Hon. Harinder S. Takhar:** What I said was that we need to see what the experience has been. What are the benefits versus the controls we are putting in place? Once we assess that, then we'll see if it needs to be expanded or doesn't need to be expanded—

**Mr. John O'Toole:** So that's a no?

**Hon. Harinder S. Takhar:** Some of the questions the honourable member is asking are actually for the Ministry of Finance. I'm sure that they are coming for estimates, and you will have the chance to ask these questions.

**Mr. John O'Toole:** Yeah, okay. MPAC is another one. All of the members here would have interface with MPAC, a large and growing agency, expanding number of staff. That's my concern. There needs to be more oversight. It's okay to outsource this third party provider, all this stuff, but you are still responsible. You're in charge of the whole ballgame here, and these agencies—you should have direct oversight, and I'm sure you do, legally and legislatively. I'll leave it at that.

1010

You seem to be very proud that you've taken on 1,450 new staff in the last while to replace consultants. Some of your arguments made some sense, like the legacy knowledge that's important to organizations, but there's also specialized knowledge. What were the criteria to determine who came in-house and who didn't?

**Hon. Harinder S. Takhar:** Let me ask the DM to answer that question.

**Mr. Ron McKerlie:** The 1,415, specifically, were related to information and information technology consultants who were originally hired to run IT projects to build new builds. Over time, the build gets done, though work is still required to maintain an application or to work in other areas of information and information technology. Those were the positions that were identified to be replaced; in other words, we could hire that knowledge now as an employee and lower our cost to provide that service.

**Mr. John O'Toole:** Well, I agree. If you just look at a couple of people here, Dave Nicholl—\$286,000—and the other fellow here who spoke this morning is in the \$200,000-plus range as well. How many of these people that you brought in, of 1,450, are actually on the sunshine list to start with?

**Mr. Ron McKerlie:** I would have—

**Mr. John O'Toole:** You wanted experts, so obviously, when I'm looking at the list here, a quarter of a million is kind of the executive-level start. That's what I see here in your ministry. It's a significant number. How many of these 1,450 are on the sunshine list to start with? We won't see them this year because—

**Mr. Phil McNeely:** Very few of them are on minimum wage.

**Mr. John O'Toole:** We're on minimum wage. Get over it.

**Mr. Ron McKerlie:** What I would say is, I don't know the answer to your question, but there would be very few that would come in at the executive—

**Mr. John O'Toole:** Can I get that list, please? You said the number 1,450. I want to know how many and what they make.

**Mr. Ron McKerlie:** There would be very few that would come in, Chair, at the executive level.

**Mr. John O'Toole:** Excellent.

**Mr. Ron McKerlie:** Some would come in, obviously, at a reasonable wage. The average wage in I&IT would be close to \$80,000. Those would be replacing consultants who would make significantly more than that, so there is a cost savings to government every time we bring in an employee who replaces a consultant. We can save significant dollars for the government.

**Mr. John O'Toole:** I'm getting it. I just want the list. Deputy, I appreciate it, and it's very technical, but I want the list to know how many were over \$100,000.

**Hon. Harinder S. Takhar:** Mr. Chair, can I make one comment on this?

**Mr. John O'Toole:** That will be fine. That's all I need.

Now, I know for a fact that some of the people were seconded to these agencies. Some of the people in the eHealth IT portion were former ministry people who got seconded there. In fact, some of them were very competent people; that's not my question at all. It's a matter of the numbers. You see, you're trying to say that you've cut down the consultants. You've increased the payroll and your own liabilities as well, because the problem in the IT part of it is—I should be so presumptive—that you get stale-dated. You're working in a platform, a system—the really leading-edge aren't in some organization. They're not. They're consultants who are their own little companies. How many of those are still on staff indirectly? How many of the specialized consultants are very expensive, probably \$500,000 a year? Could you give us a list of those?

**Hon. Harinder S. Takhar:** Mr. Chair, I would like to do a little bit of clarification. All the 1,415 jobs have not been converted into consultants. That is not our plan to do it. Dave Nicholl is actually right there.

**Mr. John O'Toole:** He's nice. A very caring guy.

**Hon. Harinder S. Takhar:** I know. He actually was my chief information officer when I was in the Ministry of Transportation. He is the chief information officer for the whole government. We need to realize—actually, maybe you realize more than anybody else, because you have a background in IT—we have 67,000 employees. We are in a large government business. We are working on so many major applications that we need people like Dave Nicholl to handle this, and I'm very proud that he's doing an excellent job for the government.

**Mr. John O'Toole:** All right. The other part—and I don't disagree with some of this. I just like to get the numbers out there. You've got to pay for talent. I get that part.

I'm just going to ask a general question here on a policy level. It may not be directly related to you. With the transfer of the new tax you're bringing in July 1, we see it as a bit of a complicated issue, because on the business side—especially export base business—it's good. I



am saying that on the record. The problem is that the big companies don't qualify. It will be 2018 before they come in. If you have \$10 million—you know the numbers yourself.

Now, the tax collector part—the HST tax collectors who were part of the government service, part of your 5% reduction too: Do you agree that they should have been paid severance? You're a business person. You had your own business—Chalmers. They have the same job; they have a different business card.

**Hon. Harinder S. Takhar:** Let me let the DM—

**Mr. John O'Toole:** No, it's pretty simple. Do you agree they should have been severed?

**Hon. Harinder S. Takhar:** I think it is important, if you enter into a contract with anybody, that you honour that contract. I'm glad that your government honoured that contract before and I'm glad that our government honoured that contract. You can't just shy away from the contracts.

**Mr. John O'Toole:** You've got the same briefing notes; you haven't thought about it.

**Hon. Harinder S. Takhar:** I didn't have any briefing notes.

*Interjection.*

**Mr. John O'Toole:** I agree; you're reading.

I'm going to go back, unfortunately, to the LHINs. A theme we've established clearly this morning is this: Accountability is what we all want, certainly Tim Hudak, Lisa MacLeod. It has been our main platform. We feel you're very weak on it. You don't agree with the truth-in-government one, and we understand that; it's going to cost too much. You should always do due diligence with the taxpayers' money. But when I look in detail—and of course they won't take any responsibility for this because LHINs are in the health ministry, and they have no control of those LHIN contracts or other contracts.

Here's an example, just a bit of a litany: On June 17, Premier McGuinty issued an edict supposing to ban untendered contracts. June 25 was the first violation. These are public records; I'm not making this up. Only eight days after the edict, the Central LHIN handed out an untendered contract. In October 2009, Waterloo did the same; July 2009, the Erie St. Clair LHIN. There's a whole list here. I'm not going to take up time, but there is a list here and it's accurate.

That verifies—and this isn't personal—that there is no accountability. That's the record when a government stands in front of the people of Ontario and says, "We're not going to raise your taxes," and they've done it three times now.

Here's another example of your obfuscation of the real facts: You have not, in eight years, closed one coal plant. Elizabeth Witmer closed the Lakeview plant; I was there—

**The Chair (Mr. Garfield Dunlop):** Try to stay inside this ministry.

**Mr. John O'Toole:** The point is, on this theme of accountability, I am frustrated on behalf of the taxpayers. You guys just move the numbers around and you call

them contracts or consultants, and it is a large—67,000 people.

**Hon. Harinder S. Takhar:** Do you want me to answer the question?

**Mr. John O'Toole:** And I'm not sure that you're capable of running it. I am not either; I'm not saying I am.

We need to get the job done. The spending is up 67% and the quality is down.

Paul asked a question this morning—all you get is a phone message. I looked on to see on these disclosures—it's a blank website. There's nothing on there, and you're telling me May. Trust and accountability go together.

Even to the point of service centres—good idea; a mix of private and public. I want the service to be consistent. I want my constituents who work during the week, 9 to 5, to be able to get their licence at a convenient time. We're paying more and getting less. Spending is up, wages are up, service is down. This isn't a personal attack.

When we take over in 2011—

*Interjection.*

**Mr. John O'Toole:** Look, the people are going to throw them out. I was here when Bob Rae got trashed.

**The Chair (Mr. Garfield Dunlop):** Okay. Do you have a question here?

**Mr. John O'Toole:** My question is, what's the best idea you have for saving money in the province of Ontario? If I had all your money I could fix my problems.

**The Chair (Mr. Garfield Dunlop):** Minister, can you answer the question?

**Mr. John O'Toole:** One idea. I just want one creative idea. You're a manager, a qualified individual—give me one idea that I can take to the Legislature and say, "The minister said he's going to do the following." You create agencies here; this new Bill 65 creates a whole bunch of bureaucrats here as well.

**The Chair (Mr. Garfield Dunlop):** Minister?

**Hon. Harinder S. Takhar:** There are too many questions to answer. I think in the first place—

**Mr. John O'Toole:** Just one. All I want is one. Keep it simple.

**Hon. Harinder S. Takhar:** Even on the issue of the severances, we have amended the agreement going forward, so there will be savings there as well.

**The Chair (Mr. Garfield Dunlop):** We're down to three minutes.

**Hon. Harinder S. Takhar:** But let me tell you, even in ServiceOntario, the service has improved. When we took over, birth certificates were being given in nine months or a year. Now it's within 15 days 99.5% of the time. That is service. We're going to have 300 centres that will provide all services under one roof. That is service. Not only that, we are also going to make sure that we set standards in which the services will be provided. The hours of operation—

**Mr. John O'Toole:** When are you going to do some of this stuff, the set standards part?

**Hon. Harinder S. Takhar:** Hours of operation will be consistent with the requirements—

**Mr. John O'Toole:** That's accountability. I want the promissory—

**The Chair (Mr. Garfield Dunlop):** Let him finish. Let the minister finish, then we'll get on to your last one.

**Mr. John O'Toole:** But it ties back to the theme, Chair. The theme is accountability. All these words are quite artistic, creative, blah, blah, blah.

**Hon. Harinder S. Takhar:** Let me say, I think the hours of operation will suit the needs of the community, and that is service. If you have ever gone into one of these new ServiceOntario centres, you will see what services are being offered and how they are being offered, and then you will actually be impressed and you might have to admit that the service has improved.

**The Chair (Mr. Garfield Dunlop):** Okay. We've got two minutes left. Mr. O'Toole.

**Mr. John O'Toole:** I want to be very clear here. I do respect the staff and I know every government has to work closely with them to execute the plan, but the visions and the objectives come from the political side. When it comes to accountability and trust, they're linked together, and if I looked at the outcomes and the general level of frustration and I look to what they point to—the 600,000 jobs from Jack Mintz's report—it's over 10 years. That's phony; that's a stupid number. Do you understand? It's 10 years, 60,000 a year—the population grows by more than that. It means you're actually going to have less employment.

And then all these green jobs, that's all baloney as well. Most of this renewable stuff, once you've got the tower up or the panels up, all the people go somewhere else. We know that all the costs are going up on the HST, and you're probably just in favour of that because you're in cabinet. You know it's going to hook—the people of Ontario are going to be euchred.

This is where I'm concerned. We don't get much face time frequently. I see the agencies that you picked are all kind of cozy with the government, I guess, and none of these hospitality, meal or travel expenses will be up on the website—I am going to be checking it. But it sounds so tokenistic, asking a stupid question about somebody's expense report in the Legislature. We can't get you to just even give us an answer here this morning. I asked you for one idea you have and you didn't have one.

**Hon. Harinder S. Takhar:** I gave you the answer, but you're not admitting it.

**Mr. Chair,** I have to say I'm sure the member was very much in favour of us making an investment in General Motors and that has saved the jobs in his area. Otherwise, it wouldn't have been possible. That is creation of jobs, and \$47 million more investment through the HST I'm sure will be good for this province and 600,000 more jobs will be good for this province.

**The Chair (Mr. Garfield Dunlop):** With that, ladies and gentlemen, we wrap up this morning's session. We'll reconvene this afternoon right after routine proceedings.

*The committee recessed from 1022 to 1635.*

**The Chair (Mr. Garfield Dunlop):** We'll call the meeting back to order, everyone. Welcome back, Minister

Takhar, and all the folks from the Ministry of Government Services.

We'll now go to the third party, in rotation. Mr. Miller, you have the floor for the next 20 minutes.

**Mr. Paul Miller:** This is regarding government service and estimates again: With respect to the Privacy by Design copyright and trademark, what are the names of the officers of the numbered company that holds that copyright? That's what I'd first like to know, when you get a chance. This information is required on documents that the government requires of every corporation, so it would be publicly available and not an offence to their privacy to provide their names.

What benefit are these officers receiving for the use of the trademark? It's our understanding that this trademark has been partially developed by public dollars along the way, and that certain individuals involved in this trademark have been in Europe and other places touting this trademark as their own, and that they offer this service to other organizations throughout the world. I'd be very concerned if taxpayers' dollars were being used to advance a trademark, the Privacy by Design copyright, and then that was being used as the involved individuals' own copyright, which they didn't pay to develop; the taxpayers of Ontario did. So I'm very concerned, and I'd like to have some more information.

Why has this trademark been prominent on the Information and Privacy Commissioner's website without a copyright mark noted, except for the IPC's copyright on the website itself, which could make one believe that Privacy by Design is a copyright of the IPC and therefore the government of Ontario, not a private corporation or person? That's very conflicting and I'd like some information on that, to clarify that.

Has anyone got an answer to this?

**Hon. Harinder S. Takhar:** I'm going to ask the deputy minister and our information and privacy officer, Mark Vale, to answer that question.

**Mr. Ron McKerlie:** The trademark is registered to an Ontario corporation, not an individual, as we stated last week. I don't have with us today the names of the individuals who are members of the corporation, but that's perhaps something we can find out through Industry Canada's registered trademarks database.

The commissioner has advised us that they have requested an official mark for Privacy by Design. That was submitted in early May, I believe, and it's presently in the process and is being processed by the Canadian Intellectual Property Office. The commissioner advised us that the request for an official mark is to protect the work the commissioner has developed on Privacy by Design since the mid-1990s. The commissioner has used the concept successfully to get organizations to be proactive in protecting privacy in all business applications and to treat privacy as a core part of their business.

Mark, do you have additional comments?

1640

**Mr. Paul Miller:** One point: Is the commissioner involved in the trademark herself?



**Dr. Mark Vale:** No. To the best of my knowledge, no.

**Mr. Paul Miller:** You're sure about that?

**Dr. Mark Vale:** I haven't seen the corporation registration—

**Mr. Paul Miller:** That's what I want to see. Thank you.

Go ahead.

**Dr. Mark Vale:** Once again, I'm Mark Vale, chief information and privacy officer for the government of Ontario.

Just a couple of points of clarification: After this morning's session, we did do some investigation on when the term first came into use, as was requested. We were able to discover its first use in Ontario, through a joint publication between the Information and Privacy Commissioner of Ontario and the Dutch data privacy commissioner in 1995. That's the earliest use that we've been able to discover.

To the best of our knowledge, public dollars were not used in the development of the concept—or the trademark, anyway—of Privacy by Design. Obviously, the Information and Privacy Commissioner is an officer of the Legislature, separate from government, but there are still public funds there.

I also want to clarify that copyright does not play a role here. Trademark registration with the federal government does, because one registers a trademark relative to specific wares. We would still, even when we use the concept of Privacy by Design, apply a copyright notice, claiming copyright for the crown in right of Ontario.

**Mr. Paul Miller:** I haven't seen that.

**Dr. Mark Vale:** Most of our websites would have such a statement. I haven't gone to the Information and Privacy Commissioner's website to look at their copyright notice. Copyright applies to a work that has been published, not to a concept.

To the best of our knowledge, it's registered with Industry Canada as a trademark, but I have not looked at the registration papers.

**Mr. Paul Miller:** Can you find out who the officers are who own that trademark? That would be nice to know.

**Dr. Mark Vale:** That would be registered in Ontario.

**Mr. Paul Miller:** Thank you.

I believe the minister stated that accountability and streamlining are your goals and you want to improve the situation throughout your jurisdiction.

My next question is in reference to the Licence Appeal Tribunal. I believe that falls under your auspices. The board members who were appointed, a lot of them by the government—most boards that I've ever sat on, Mr. Minister, or anything I've been involved with or chaired or vice-chaired, anything I've done, required a vice-chair and maybe an alternate vice-chair, if the vice-chair wasn't available or was on holidays or was sick. Apparently this organization, the Licence Appeal Tribunal of Ontario, has 17 vice-chairs—not what I'd call wise spending—and has 18 members, for a total of 35. The vice-chairs—only the chair is full-time—receive \$491

per diem, and there are 17 of them. That's quite a chunk of money. I don't know why you need 17 vice-chairs—sorry, 18 vice-chairs. The members, who make up the 17 in balance, receive \$664 per diem—some of them—more than the vice-chairs, and some receive \$398.

One of the members—I'm not sure if he is the same Kevin Flynn, if he sits on that board—unless there are two Kevin Flynn's, one in Mississauga and one in Oakville. I don't know; maybe. Anyway, the reason I point him out and a couple of others—there are four others—is that they receive \$664 per diem, which is more than the vice-chair at \$491. There seem to be seven of them appointed by the government who receive the \$664. They're from various cities: Ottawa, Toronto, Woodbridge, Ennismore, Port Colborne.

I guess my question is, if we're looking for accountability and for savings for taxpayers' dollars, maybe you could explain to me why there are 18 vice-chairs for one committee and 17 members on that committee. They're all part-time, but they certainly receive quite a bit of money for a per diem. I don't know how many times they meet; I haven't got those details in front of me. It says that the Lieutenant Governor in Council appoints not fewer than three members and designates one of the members as Chair and may designate one or more other members as vice-chair. The rest can be appointed by the ministry.

Maybe you could explain it to me. That's quite a good gig, I would say, and rather embarrassing. Eighteen vice-chairs: Is it that if you get a bigger title, you get more money? It's like having 14 colonels and three servicemen.

**Hon. Harinder S. Takhar:** Do you want us to answer the question?

**Mr. Paul Miller:** Yeah, I'd like to hear about this. This is good.

**Hon. Harinder S. Takhar:** Actually, I'm going to ask the deputy minister to tell you what this tribunal is all about and why we have the structure that we have in place. I think our ADM Catherine Brown is here as well to answer the question.

**Mr. Ron McKerlie:** The Licence Appeal Tribunal, or LAT, as we refer to it, provides an independent, impartial, timely and cost-effective means to appeal decisions concerning things like compensation and licensing from a number of different ministries: the Ministry of Consumer Services; the Ministry of Transportation; the Ministry of Children and Youth Services; the Ministry of Training, Colleges and Universities; the Ministry of Municipal Affairs and Housing; and the Ministry of Community Safety and Correctional Services.

They have a significant number of hearings that would be set up across the province every year. In each of the past few years, just in terms of appeals, LAT received over 600 appeals on an annual basis. There was a huge complexity to some of these appeals. That means the number of hearing days scheduled would have gone from 1,200 scheduled hearing days in 2006-07, 1,350 in 2007-08 to over 1,500 in each of the last two years.

Their goal, of course, is to settle issues, to look at issues that are appealed to them. It could be a licence that was revoked or something to that effect. A vice-chair helps them to actually settle that issue without having to try to refer each one of these hearings and each one of these different events to one single individual.

**Mr. Paul Miller:** Can I ask—

**Mr. Ron McKerlie:** LAT receives appeals—sorry, Chair—schedules the pre-hearings and hearings. They conduct those proceedings at its premises and all over the province, frankly. The issues and decisions are based on evidence and, obviously, on the law as well.

**Mr. Paul Miller:** Most of these, other than Ottawa—I think that would be the farthest one, maybe Windsor; there's two or three guys involved there. I could understand that. But most of it is Toronto. You've 12 vice-chairs for Toronto alone.

**Hon. Harinder S. Takhar:** Yes.

**Mr. Paul Miller:** Frankly, I don't know how many times they meet a year. You said roughly 600 appeals a year. I'm well aware that appeals can be lengthy, but I really feel this is overkill. I think that this should be looked at very seriously.

**Hon. Harinder S. Takhar:** As the deputy minister said, these meetings are held throughout the province. The members may be from Toronto, but the appeals can be all over the province. You need somebody to chair the meeting and maybe a member to be underneath so that they can make the decision as it goes on. Otherwise, you'd have to call a meeting of the whole board to make any decision.

**Mr. Paul Miller:** So nobody in the local area could do this? If it's, say, \$664 a day—and I'm sure if he has to travel, there would be travel expenses on top of that, hotels, food. That gets pretty expensive for the taxpayers. I'm sure that these duties are not rocket science. I'm sure that somebody locally could handle it. There are lots of judicial people who are semi-retired or in the smaller communities who could handle this. Actually, all I'm saying, Minister, is that this is too many vice-chairs, too much expenditure of tax dollars. This is just one appeals tribunal; I'm sure there are other ones.

**Hon. Harinder S. Takhar:** Okay, just hold on for a minute. I'm going to ask Catherine Brown, our assistant deputy minister, to answer some of your questions.

1650

**The Chair (Mr. Garfield Dunlop):** Please state your name.

**Ms. Catherine Brown:** Hi. Catherine Brown; I'm the assistant deputy minister of corporate policy at MGS. The chair and vice-chair per diems are in line with the per diem rates for all of the public appointments that are chairs and vice-chairs. The additional per diems that you mentioned, the higher level per diems, are for members who have some particular skill or expertise—a medical doctor or lawyer—that is required for the position. Those are also in line with what we would provide to anyone with that level of expertise for those positions. Their expenses are in line with the travel, meal and hospitality expenses directive, as required.

**Mr. Paul Miller:** Being a humble person, I just think that's an awful lot of coin for people to do these types of jobs. Just because it's in line with the private sector or in line with other things doesn't mean that the line can't be dropped. I think this is overkill. It's too much money, too much waste of taxpayers' dollars. This is just one committee or one tribunal, and they've got 17 vice-chairs. I think this is absolutely absurd. I think it's a waste of money, I'm glad that we brought this out in committee, and I'm sure you'll be hearing more about this. But anyways, moving on.

Okay, let's talk about land registry offices. Can you tell me exactly what your land registry offices do? What are the key services provided by the land registry offices? What are the key issues facing the land registry offices?

**Hon. Harinder S. Takhar:** Mr. Chair, I'm going to ask the deputy minister of ServiceOntario to answer that question.

**Mr. Bob Stark:** Sure. Just in general, and if we want to get into more detail, we have the ADM who can speak to it.

**Mr. Paul Miller:** General response. The first one: Can you tell me exactly what your land offices do?

**Mr. Bob Stark:** Sure. Their role is to go through the process of reviewing requests for land transfer changes and adjudicating on those to make sure that they follow all of the policies of government. They provide support services to customers who come in to inquire about land registry information that's available in those offices, and they manage on our behalf. About 98% of the business is automated. We have 5.2 million properties across the province that are part of the land registry system.

**Mr. Paul Miller:** What are the key services provided by the land registry office?

**Mr. Bob Stark:** Those are the key services. Because so much of the system is automated today, lawyers can input their requests online, and they get distributed out to the offices and get adjudicated on.

**Mr. Paul Miller:** Can you see any savings with some of the negative issues facing the land registry offices? Can you see any savings there for taxpayer dollars?

**Mr. Bob Stark:** I'm not sure what you mean.

**Mr. Paul Miller:** Well, the issues facing—what complications or problems do they have in the land registry office that may be rectified and may be financially beneficial to the taxpayers by reducing their issues?

**Hon. Harinder S. Takhar:** I think that one of the issues right now is that we used to have a lot of manual records.

**Mr. Paul Miller:** Manual?

**Hon. Harinder S. Takhar:** Manual records. We are automating those records. As the DM said, 98% of those records—I think it's about 5.2 million properties—have been automated. So people will be able to access this faster; there will be hopefully more accurate records, although we are basically converting the manual records into the automated records. The service will be faster, and they will be able to access it with more efficiency, and so on.



**Mr. Paul Miller:** Okay. You got a note passed to you. Was that another response?

**Mr. Bob Stark:** No, it was just an information piece.

**Mr. Paul Miller:** Oh, okay. I was just curious. I like to stay on top of things.

**The Chair (Mr. Garfield Dunlop):** You've got another two and a half minutes, by the way.

**Mr. Paul Miller:** Okay. Official document service: Can you tell me what the official document service does? Can you tell me about the certificates of authenticity? What are the key issues facing the official document service?

**Mr. Bob Stark:** I'd like to invite our ADM to come up and speak to that, specifically, Frank D'Onofrio, who is ADM of customer care at ServiceOntario.

**The Chair (Mr. Garfield Dunlop):** Welcome, Mr. D'Onofrio.

**Mr. Frank D'Onofrio:** My name is Frank D'Onofrio, ADM of customer care at ServiceOntario.

If I could just go back to the earlier question, there is a legislative requirement to have a land registry office in the locations they're in, so we have 54 offices. As was mentioned, we have a strong history of converting records from paper into electronic copy, but there are always issues locally where landowners would come to the land registry office—

**Mr. Paul Miller:** Disputes.

**Mr. Frank D'Onofrio:** Exactly. They could be disputes. They could be clarifications or information they need that they would get from the local land registry office.

**Mr. Paul Miller:** Okay. Do you feel there are any large issues facing your archives in the land registry office?

**Mr. Frank D'Onofrio:** We make sure that there's access to the documents, whether they are on-site or whether they are remotely located, and we make a commitment to get any information that is to be made available through land registry offices on a timely basis.

**Mr. Paul Miller:** So how is your new archive building working out at York University?

**The Chair (Mr. Garfield Dunlop):** You're down to 30 seconds on this answer, please.

**Hon. Harinder S. Takhar:** I believe that building is working out very well. It's basically customized to the requirements of the archives. I think I can give you some numbers: 20,000, 30,000 inquiries every day to the archives. So it's working well.

**Mr. Paul Miller:** Thank you.

**The Chair (Mr. Garfield Dunlop):** Thank you to the member of the third party. At the very end here, you'll have three minutes to sum up, if you wish. We now go to the government members for the next 20 minutes.

**Mr. Bill Mauro:** Minister, thank you again for being here this afternoon along with your staff. I want to thank them and congratulate them for a lot of the great news and great work that continues to come out of your ministry.

I get perhaps a bit selfish and parochial—although not just for me; I think all members likely share in this particular example that I want to use before I get to my question, that being the issue of birth certificates. I remember when I was first elected some seven years ago—like all elected members we run constituency offices. In my case, I've got two, and some of the other members may have more than one as well.

I can tell you that when I was first elected in 2003, the amount of time that my staff was spending related to the issuance or lack of an issuance of a birth certificate—the frustrations of the members of the public in dealing with our office, and clearly a hangover from the previous administration, was quite frankly very remarkable. In a very short turnaround time, the Ministry of Government Services has reduced this as an issue in my constituency office, almost to the point of being invisible, I would say. So I think that it's really quite remarkable what has happened in that regard.

It's a foundation document. I've had a number of people who need that to get their passports to make trips, and they're phoning and thanking us all the time now for the quick turnaround times. It has freed up my staff to have the capacity to work on other issues, so I use that as an example for much of the good work that has gone on in your ministry, and I want to thank you and the staff for that and all the other good work that you're doing.

The focus of my question this afternoon is an initiative that has come out of your ministry that was called Taking the Lead. As a northern member—my riding is Thunder Bay—Atikokan. I was listening to you converse earlier with the member of the New Democrats; your ridings by population are certainly larger than my riding of Thunder Bay—Atikokan, but geographically I can tell you that my riding is significantly larger than the ones you service. As a result of that, service delivery can sometimes be a challenge in a variety of measures, whether it's health care and certainly services that come out of the Ministry of Government Services.

Atikokan is in my riding, as I've mentioned. It's about a two-hour drive straight west from my community of Thunder Bay to Atikokan. The border of my riding, westerly, is even a little bit farther than that. For people in Atikokan, the services that they get from your ministry are sometimes difficult to get.

That's why I was very excited when, last fall I believe it was, in Thunder Bay, through ServiceOntario, the Taking the Lead initiative—I believe Thunder Bay was the first place in the province to have accessible to the public full service when it comes to driver's licences, licence plate renewals and health card services, OHIP card services, under one roof.

That event, I can tell you, has been very well received by my constituents in Thunder Bay, but even more so in a community like Atikokan, which is, as I said, fully two hours west of Thunder Bay. Just last week, I think, Atikokan went live in terms of full service provision on that Taking the Lead initiative. We're very, very excited about that.

1700

Previous to that initiative, the constituents that I represent from Atikokan would often have to either drive two hours east into Thunder Bay or, on occasion, as I understand it, the services would be rolled out on an ad hoc basis, where a mobile team would travel to a community perhaps every six months or so. If people were available at that time, they could get in and take advantage of that. But now we have expanded this in such a significant way that it is a huge, huge benefit to certainly my constituents and to those in the far-off regions in large ridings, especially northern ridings.

I'm interested in what ServiceOntario is doing to ensure the consistency of these services and operating hours across their network.

**Hon. Harinder S. Takhar:** Let me just start by saying that I'm very proud of the TTL, the Taking the Lead project. The idea behind this is to provide one-stop shopping and to modernize and integrate the services that we are providing.

Right now, if you want to go and get your health card done, you have to go to one office; if you want to go to get your driver's licence done and your car sticker done, you have to go to another office. What we are trying to do is provide all government services under one roof, so that you can go in there and get your driver's licence, your car licence or your birth certificate. But more than that, there are other services like fishing and hunting licences, birth and marriage certificates and other provincial services that can all be provided under one roof. We're going to have about 300 offices. As I said, two thirds will be the private issuers' network and one third will be government offices.

In addition to providing all services under one roof, we are also providing people other options. The other options are that people can go to the kiosks and get some of their services. They can go online and get some of their services. We want to make the lives of people easier, so when they're dealing with us, not only will we provide them with friendlier service hours but also provide them the flexibility to use other channels as well.

I just want to read for the record a letter that I just got on May 14. It was just sent to me unsolicited. It says:

"It's not often I take the time to send out compliments and/or feedback but I felt the need to in this case. I wanted to let you know how pleased I was in going through an exercise through your government services.

"I was recently informed of a new service from my wife that I didn't hear of publicly, that being the online sticker renewal for vehicles. Online, I thought? Is it possible? To my surprise once I went through the online steps it was easier than I thought it would be. Outstanding, Mr. Takhar! You have made long lines diminish, giving people back time in their busy schedules as well as assist your own staff at each location where in peak hours hundreds would line up causing anxiety. Way to think out of the box. It's simple upgrade services like these that we enjoy from our government services. Many will appreciate this.

"Your team should be commended for two things, being strategic and tactical. Activities that result in breakthrough improvements and activities that result in incremental improvements in standard operational processes."

This was from Frank Di Muzio and he works for Hewlett-Packard. This came to us.

So what we're really saying is that small improvements or major improvements, all of our focus is on actually making the lives of people easier.

I'm going to ask the deputy minister if he wants to add anything more to this on where the Taking the Lead initiative is heading.

**Mr. Bob Stark:** I think the minister's done a good job to frame it for us. What I will do is share with you a couple of other customer examples that come to me.

One is from Thunder Bay, where you're quite right: Earlier this year—or last year, actually—I used Thunder Bay as a pilot so that all three offices in Thunder Bay could handle all of the core services. The letter I received—once again unsolicited. It started out with:

"I'm one of those customers who usually complains about things, but I've got to compliment you here." This was an individual who needed to replace his driver's licence, renew it, renew his health card and renew the val tag sticker for his vehicle. He had put it off and put it off because he just had this horrible feeling it was going to take him a day to make it happen. Much to his surprise, he arrived at our office and, according to him, seven minutes later he was done. He said, "It happened so quickly I was able to go get a cup of coffee and I still arrived at work a half an hour early."

The other was published in the Brockville paper this past week. It was an individual who chose to write the paper because he'd had a great experience as well with an integrated office in Brockville. This gentleman's situation was that he had lost his wallet and all of his identification, and I'm sure you can relate to that gut feeling of, "Oh, my word, what's happened here and how long is it going to take to reconstruct things?" He went into our office in Brockville and had his driver's licence and health card replaced, or at least the temporary cards in his hand. So in a very short period of time, he had started to get his identity back together in an appropriate way, and he felt strongly enough about that to write to the local paper. I think that's a great example of the kind of good things that this is bringing out across the province.

**Mr. Bill Mauro:** Thank you very much.

This morning we heard—I'm not sure if it was just this morning, or it might have been last week as well—some questioning in reference to agencies: the work that they do and our steps that we've taken to enhance transparency and accountability around the expenditure of public funds. Most of us, I think, as elected reps are aware that there are approximately 650 of these agencies. Many of them are at arm's-length and independent of government, but that being the case, at the end of the day the government is always held responsible for the actions and activities of those agencies. We've since learned that



255 of them are classified, so I'm here this week learning a little bit about that as well.

The 22 agencies that we picked to try and enhance and go forward with more transparency and accountability: I have a question related to that, because it was the point of some criticism, surprisingly so, by some of the other questioners earlier this morning or last week.

Before I get to my question, I must make reference to—and I believe it was my colleague across the floor talking about a private member's bill. I forget the name of the legislation that came forward, but it was talking about and criticizing the fact that we'd only listed 22. Of course, that's 22 more than there were before. It's an 100% increase over what was there previously, but of course that's not the characterization coming from the opposition. The point of the private member's bill was that we would invoke measures that would have cost us, as a government, approximately \$20 million to set up a bureaucracy and then, I'm told, another \$10 million on an annual basis to go forward with measures, apparently to try and provide more transparency. I found it a bit surprising, given the party that brought it forward, who likes to tell us on a regular basis that they're not in favour of red tape and that they're against bureaucracy. And here they were, at least in my perception—and I look forward to your comments—going forward through a private member's bill to try and set up exactly that: a bigger bureaucracy with more red tape; in fact, something that would probably provide very little in the way of enhancing accountability and would not provide any cost benefit, I would suggest, in all likelihood, to the taxpayers of the province of Ontario.

I do have some experience with this. In my previous life, I spent about 15 years involved in public tendering. I remember very well that we had three options: We could sole-source contracts under a certain dollar value; then, up to the next level, we could get three quotes, and that would be fine too; beyond that second intermediary level we would then have to go to a public tender. If we were to have gone forward with something like what was put forward in that private member's bill, I can only tell you how much it would have hamstrung us in our small office; how much it would have slowed down our processes, made our work much more expensive than it needed to be and, in fact, oftentimes resulted in worse service than might otherwise have been the case.

So I guess my question would be, in response to what we were hearing this morning—that there were a number of questions regarding agencies. We've heard that there are 255 of these classified agencies. I'm interested in hearing more about the types of agencies that are there, some examples of what it is they do, and perhaps a little bit more on the 22 that we flagged in terms of trying to enhance transparency and accountability around those.

**Hon. Harinder S. Takhar:** Let me just start by saying that our government has demonstrated a strong commitment to transparency and accountability.

1710

Just to give you a few examples, just for freedom of information, we brought Cancer Care Ontario under that

for the publicly funded agencies. Universities, Hydro One, Ontario Power Generation and local utilities were brought under freedom of information, and the Audit Statute Law Amendment Act, 2004, brought in the powers of the Auditor General to review public sector organizations and implemented the Personal Health Information Protection Act, 2004.

But in addition to that one, we also changed the rules and regulations. We said 22 of the largest agencies would also require that their senior management and the top five claimants report their expenditures to the Integrity Commissioner, and if the Integrity Commission doesn't think it's right, they can ask that they be reimbursed.

One of the issues that we had with the opposition bill was this: the cost. It was a \$20-million cost to actually have the system set up through a three-year period to do the reporting. It was a \$10-million cost every year to actually have this process going on and on; right? The bureaucracy around that was another issue that we had as well. So at the end of the day, what we said was we need to make sure that the systems that we have currently in place are working effectively and we need to see what are the benefits versus the expenses that we are incurring on them, whether they make any sense or not. We said that we needed to start with 22 of the largest agencies to do that.

Let me just give you some idea of who the 22 largest agencies are. They're OLG, OPG, Hydro One, Independent Electricity System Operator, OPA, WSIB, LCBO, eHealth, Cancer Care Ontario, Infrastructure Ontario, the Ontario Energy Board, the Alcohol and Gaming Commission, Ontario Financing Authority, Ontario Realty Corp., Ontario Public Service Pension Board, Metrolinx, Ontario Human Rights Commission, Metro Toronto Convention Centre, Ontario Educational Communications Authority, Ontario Racing Commission, the Ontario Clean Water Agency, and—I think this is in French—office de télécommunications. I think there's the education commission as well.

These were the 22 agencies. If you look at the list, it basically tells you that most of the well-known agencies are covered under this. This is where most of the expenditures are incurred.

Now I'm going to ask Catherine Brown and the DM to take it from there and explain to you how the agencies are classified under different categories.

**Mr. Ron McKerlie:** Thank you very much. I'll ask Catherine to come up as well, but just to start, as mentioned this morning, the government has oversight responsibility for 255 classified agencies. A classified agency is one that has some or all of the following characteristics: It would be established by government, but it's not part of the ministry; it's accountable to the government through the minister responsible for the agency; it has a majority of appointees chosen by the government; it has been delegated or assigned authority or responsibility for a particular area of government business, public service or service delivery; and it means that the agency has been established and classified under the agency establishment and accountability directive.

There are seven different classifications of agencies. What I'll ask Catherine to do is take you through examples of the classifications and well-known examples of a type of agency that would fall within that classification.

**Ms. Catherine Brown:** Thank you. As the deputy mentioned, there are seven different classifications. The first is an operational enterprise. There are 37 operational enterprises. An example of that would be the LCBO, one that most people are familiar with. An operational enterprise is one that sells goods or services to the public in a commercial manner, including, but not necessarily in competition with, the private sector. As I mentioned, there are about 37 of those. Typically, they would have a board that was appointed and, as the deputy mentioned, the majority of those appointees would be from the government.

The second type would be a regulatory agency. We have 21 regulatory agencies currently of those 255. An example of that would be the Financial Services Commission of Ontario. Regulatory agencies make independent decisions, including inspections, investigations, prosecutions, certifications, licensing and rate-setting. Their decisions may limit or promote conduct, practice, obligations, rights and responsibilities of an individual, a business or a corporate body. They are exactly as you would think they would be. As a regulatory agency, they oversee regulations.

Operational service is the third type. There are 39 operational service agencies. An example of that would be Legal Aid Ontario. Operational service agencies deliver goods or services to the public, usually with no fee or only minimal fees—different from an operational agency, which I mentioned earlier.

The fourth type would be adjudicative agencies. There are 40 adjudicative agencies in the province currently, an example of that being the Ontario Municipal Board. Adjudicative agencies make independent or quasi-judicial decisions.

**The Chair (Mr. Garfield Dunlop):** You have about a minute left, by the way.

**Ms. Catherine Brown:** They resolve disputes on the obligations, rights and responsibilities of an individual, a business or a corporate body against existing policies, regulations and statutes. They may also hear appeals against previous decisions.

The fifth is advisory agencies. There are 110 advisory agencies currently. An example would be the provincial Advisory Committee on Francophone Affairs. They are more temporary and provide information and advice to assist ministers and ministries in the development of policy or the delivery of programs.

The sixth type is a trust. There are five trusts in the province. They administer funds or other assets for beneficiaries named under statutes.

The seventh type is crown foundations. There are three crown foundations. They solicit, manage and distribute donations of money or other assets donated for a named organization in the interests of the foundation for which it was established.

There was a question this morning about the listing of the 255 agencies. I can table this with the clerk. We have copies of the list of classified agencies, all 255. I have copies I'll leave here.

**The Chair (Mr. Garfield Dunlop):** Okay. Thank you so much, Minister. Now we go to the official opposition. You have the next 20 minutes.

**Mr. John O'Toole:** Good.

**The Chair (Mr. Garfield Dunlop):** Okay.

**Mr. Robert Bailey:** I've got a couple of questions I'd like to ask. Thank you, Minister, for being here today, and your staff as well. These are from my office. My staff in my office asked these questions for me to table today, because obviously they're in the office every day dealing with the real world, and I'm down here.

One was about birth certificates. A number of people present at our office from time to time and the issue is, in custody cases etc., where children have been placed in the care of the grandparents by the CAS, either temporarily or permanently. Obtaining birth certificates for these children apparently is a very difficult process.

My staff—and I would agree with them—think this is an issue that needs to be addressed. They're saying—and I'd like the opinion of the ministry or some of your deputy ministers—that if a court order shows that the grandparent has full custody of the child, that should be good enough to process the application.

She says here: "Note: Almost all of the children have expired health care cards and need to be registered for school." You need a health care card to register for school. Neither of these things can happen until they have a valid birth certificate. I'd like somebody to comment on if that's true, if you see that situation arising, and how we could expedite that.

**Hon. Harinder S. Takhar:** I have to say, this is the best question I got from the PC Party. So I'm going to ask—

**Mr. John O'Toole:** It's the only one he's going to try to answer.

*Interjections.*

**Mr. John O'Toole:** Let's see how he does.

**Hon. Harinder S. Takhar:** I said the PC Party, not you. I'm going to ask the experts to answer this question.

**Mr. Kim Craiton:** Sorry, John.

**Mr. John O'Toole:** Hey, what goes around comes around; okay? I've sat over there.

**Mr. Bob Stark:** I don't have the detailed information with me today to answer that question, but—

**Mr. Robert Bailey:** No, but you'll commit to getting the answer for that.

**Mr. Bob Stark:** Absolutely.

**Mr. Robert Bailey:** Do you have an opinion on that? Have you seen that as an issue?

**Mr. Bob Stark:** I'll share with you that we're very proud of our Office of the Registrar General up in Thunder Bay, in terms of their ability to deal with unique situations.

I'll share with you a similar situation to what you just described, in the aboriginal community, where people



were having difficulty getting birth certificates and they needed them to be able to get the status card from the federal level and, in so doing, be funded on reserve.

We launched a task force with Service Canada, because this spanned both levels of government. Last summer, we did a tour of a number of aboriginal communities in the north and helped mothers get the registrations for births into line, and got birth certificates into their hands. We worked out streamlined processes with the federal level of government so that they could more easily get the status card to the individuals on reserve. That's what the office in Thunder Bay is particularly good at: taking on these challenges. You've given me one which I will get some answers for, and I'll share them with you later.

1720

**Mr. Robert Bailey:** I've got another question.

**Mr. John O'Toole:** Go ahead.

**Mr. Robert Bailey:** I've got another question here I'd like to ask, too. This is another issue that apparently is presented a number of times in my office. This scenario is about, for example, a father who has sole custody of a child, and he cannot change the child's name or request a new birth certificate without the mother's signature. In many cases, according to my staff, the father has sole custody because the mom, for whatever reason, is no longer in the picture to obtain that signature from. Our opinion—her opinion—is that the Superior Court order should be recognized by the Registrar General. Now, is that true? Are they? Are they not? Maybe we're misinformed; you tell me.

**Mr. Bob Stark:** Once again, we're into a level of detail which I don't have information on today.

**Mr. Robert Bailey:** But if you'll commit to getting me an answer on this, that will help my staff a lot.

**Mr. Bob Stark:** Absolutely.

**Mr. Robert Bailey:** The other thing is we've had a number of constituents, and I'm sure the other members here have had this happen—I'm told it happens quite often—who have paid twice for services, I guess for a driver's licence or a birth certificate. Don't ask me how, but they've sent a money order in, and then for some reason, they give their credit card number as well. They've told me that the ministry's response to them is, "Well, that's too bad. We're not in the business of sending money back to you." Has anyone else heard that issue? Someone's been charged twice for a service—it's obviously their error; I'm not saying it's not. It's the constituent's error, but is there any provision to reimburse a constituent, a client, who has paid twice inadvertently?

**Hon. Harinder S. Takhar:** I would like the member to actually give me the details. We will look into that.

**Mr. Robert Bailey:** Okay, I'll do that.

**Hon. Harinder S. Takhar:** The constituent should not be paying twice. They should be paying once for the service.

**Mr. Robert Bailey:** Well, that was the answer that was given to us, "Tough luck." I didn't think that was—

**Hon. Harinder S. Takhar:** We will look into it.

**Mr. Robert Bailey:** Thank you. John?

**Mr. John O'Toole:** Bob's questions were excellent. We'll try a couple of the ones here. Although he didn't get any answers; we're still hung out there waiting.

**Hon. Harinder S. Takhar:** See, because they were good.

**Mr. John O'Toole:** This is the customer service that we're speaking of, no disrespect.

Minister, on April 14 in question period—I have a letter saying, and I quote the letter: "take the proactive step of posting the expenses of their board and senior management online on a go-forward basis" with respect to the LHINs. You said, "They have agreed to do it." I'm quoting you here, that you spoke to them, and they had agreed to post them. These are the LHINs.

**Hon. Harinder S. Takhar:** I think what I said is that the minister has written to the LHINs, that they should post their expenditures on their own websites, and my understanding, from the minister's response, even in the House, was that they have agreed to do that.

**Mr. John O'Toole:** It's been a month since you made the statement. You said that the LHINs have agreed to post them online, and the Minister of Health said that they should do this. When is it going to happen? We've checked, and there's nothing being posted.

**Hon. Harinder S. Takhar:** I think two things: One is they need to have a system in place so that they can post it. The second question is, even if they are effective from, I think it's April 1—so once the expenditures are approved and paid for—

**Mr. John O'Toole:** That's April Fools Day, but anyway.

**Hon. Harinder S. Takhar:** Yes—and paid for, then it should be posted. But they have to have a system in place.

**Mr. John O'Toole:** That's good. Could we get you to commit to a date? There are a lot of promises made around here. I'm looking for accountability. The theme here is you say these things, and nothing happens. We go to the website, and it's blank. What we're saying here is I would like you to commit today so that, by the end of May, or some date that you provide, the LHINs will have complied with your request. Even though you said it a month ago, it's still not happening.

What's your process to follow up on these promises you're making? Premier McGuinty promised in 2003; he still never committed to the promise. We've got one here; we're going to track this one. What's the date that this is going to happen?

**Hon. Harinder S. Takhar:** Chair—

**Mr. John O'Toole:** Simple, one line: What's the date? June? May? August?

**Hon. Harinder S. Takhar:** Mr. Chair—

**Mr. John O'Toole:** September?

**Hon. Harinder S. Takhar:** I'm not sure that there are ever one-line answers to these questions.

**Mr. John O'Toole:** I know. It's all talk.

**Hon. Harinder S. Takhar:** The answer is, first, the LHINs are under the responsibility of the Ministry of Health and Long-Term Care. My understanding is that they will start posting these expenditures this summer. The Ministry of Health, most probably, is going to be before the estimates committee and you can pin them down on what the answer will be.

**Mr. John O'Toole:** Well, I take that as no answer there. You shouldn't say these things in question period. This is the problem. I lose trust in the operation here, because you're saying all the right things, but they're not doing anything. It's just like moving the chairs on the Titanic.

Anyway, here's another question: You said something on March 9 when I asked you about the 40 contracts of US health care providers, and you referred it to the Minister of Health. I'm going to quote your opening statement. I went back and checked, because I had to get it exactly from the Hansard. This is your response in your introductory remarks, your maiden speech: "All I want to say is that the MGS is sort of the corporate services function for the government of Ontario." Sounds good. "This is where we develop policies and procedures which the other ministries or agencies follow." I'm pretty sure you have the same script I have. "All of our services are dedicated so that we can provide the best service possible to Ontarians." I agree with all of it, every single word of that.

"This is like a centralized function where most of the centralized functions take place. This ministry is pretty big in size." It certainly is, and growing. "It looks after all the information systems and, from the policy point of view, all the HR and procurement functions."

You said this morning that you don't have all procurement functions—none of the health care functions, all of the LHIN stuff. These are incomplete and inconsistent answers, Minister. You're in charge of a large company. It's not clear to me after two or three days; we need another seven and a half hours here to drill down to the real questions. I'm saying that this morning I asked you about these procurements outside of Canada. Do you have anything at all to do with those, with the US?

I think your staff gave you a note there.

**Hon. Harinder S. Takhar:** No, staff hasn't given me any note.

What I said in my opening note was this: This ministry is responsible for developing policies and procedures that the other ministries follow. These questions that you're asking me actually relate to the Ministry of Health and Long-Term Care, so I am going to suggest to you again that when the Ministry of Health and Long-Term Care comes in front of the estimates committee, you ask them those questions and they will have better answers than I will be able to give you. I never said we do the procurement for them; I said we develop the policies that the other ministries follow. That's what our function is in the MGS.

**Mr. John O'Toole:** It's certainly the big picture. We're going to have to get Deb Matthews in here to get

some of these answers because half the spending in the province is health care. We've established that. You're giving the people of Ontario watching this thing—this is being televised, I think—across the province the wrong idea. I once called your ministry a junior ministry, just between you and I. My job is different than yours, obviously.

So you're going to get Deb Matthews to give me an answer on this?

**Hon. Harinder S. Takhar:** I said most probably you should ask these questions to the Minister of Health and Long-Term Care.

**Mr. John O'Toole:** That's not very good customer service.

**Hon. Harinder S. Takhar:** Mr. Chair, I have to thank the member for asking these excellent questions today.

**Mr. John O'Toole:** Well, Bob may have a comment.

**Hon. Harinder S. Takhar:** I know his job is different. He said this is a junior ministry, and I said he's a junior critic.

**Mr. John O'Toole:** I want to compliment your staff. I really mean this quite genuinely and sincerely.

**Hon. Harinder S. Takhar:** It's good you should say that.

**Mr. John O'Toole:** I've looked through the book at their resumés and accomplishments and achievements. Their assistance to you and your deputies here today is commendable. I would like to leave that on the record as a statement.

**Hon. Harinder S. Takhar:** That's good.

**Mr. John O'Toole:** More recently, the responsiveness to the 255 agencies—thank you very much. That very clear six-point or five-point plan is quite explanatory. You said you had a follow-up note on that? That's helpful information.

**Hon. Harinder S. Takhar:** Mr. Chair, I'm sure the member now agrees that they are worth every penny that they get.

**Mr. John O'Toole:** That's good. I'll leave that to you, and that's probably true.

When we're dealing with these questions here today—it is a large ministry; it's a reasonably large budget. We're concerned that a lot of the questions that we posed—the first couple of days, there was a bit of a script that we were following, so we had them isolated. When can I expect those answers? This is all about customer service and accountability. They're straightforward, they're written and if they're off-base, tell us. That's the answer. This is an incomplete question.

**Hon. Harinder S. Takhar:** Actually, we can table some of those answers today.

1730

**Mr. John O'Toole:** Good. The other part is several questions that were presented today in the earlier session. Would we get the written answers on those?

**Hon. Harinder S. Takhar:** We will give all the answers that are due as soon as we compile them, but I would even make another offer to the member: We



already gave two briefings to my critic, but we'll be more than pleased to give another one.

**Mr. John O'Toole:** Well, it's clear. I'm hoping that Bob is in training here, that he might take this over. It's a very glamorous ministry. No, in fact, it's an administrative ministry, which makes it hard to get any headlines on this thing.

One of the things you could improve, quite honestly, is the FOIs. Your ministry handles and approves—as you say, procedurally—all the systems and the systems implementation. You must have measurements in management there for tracking these projects. You must have some method of tracking these projects. Do you? It's major project management, really. That's a serious question.

**Hon. Harinder S. Takhar:** Yes. Actually—you're talking about the FOIs or the major projects?

**Mr. John O'Toole:** No, the major projects.

**Hon. Harinder S. Takhar:** We track all major projects, and most of the major projects are reported to the treasury board and the Management Board on a quarterly basis.

**Mr. John O'Toole:** And they're reported to you?

**Hon. Harinder S. Takhar:** They're reported to me, and I'm actually very pleased to tell you that most of the projects are on time, on-budget and on-step.

**Mr. Robert Bailey:** I've got a question. ServiceOntario in my riding of Sarnia-Lambton—I think in a number of the ridings around southwestern Ontario they've taken the drivers' licence issuing away from the chambers of commerce, for example in my riding. What success rate do you see? When will that all be implemented? Do you see any job losses locally or will they try to absorb those people back into the new form?

**Hon. Harinder S. Takhar:** We are undertaking a major modernization and integration of the ServiceOntario centres. Some service centres will be closed and there will be some job losses in those centres, but wherever the services are being combined, there might be some job openings available there. It's not that we can give them preference, but those people can apply in an open, competitive environment. Most will probably have the right experience and will get selected for those jobs. They have the opportunity to apply, like anybody else will have the opportunity to apply.

**Mr. Robert Bailey:** How many communities across Ontario altogether would have been affected by these ServiceOntario amalgamations? Do you have an idea?

**Hon. Harinder S. Takhar:** I'm not sure. I don't know the communities—maybe the deputy can answer that—but I think the offices we were closing are in the range of about 60, right?

**Mr. Bob Stark:** That's correct.

**Mr. Robert Bailey:** Do you know how many people were affected, if the deputy can answer that? How many jobs in these different communities might have been affected overall or do you see, at the end of the day, having been affected by this move?

**Mr. Bob Stark:** Sure. Just a little bit of history on this: ServiceOntario over the past few years has brought services from various ministries into ServiceOntario, and as we have done that, we've inherited delivery channels for health that are specific for health, driver and vehicle licensing specific for driver and vehicle licensing and so on. What we're doing this year by providing a one-stop shop and integrating these services is we've looked at the overall capacity of our network, and we quite frankly have more capacity than we need to serve our customers. As the minister mentioned, we are closing about 59 privately run offices and about 11 government-run offices. That's reflective of being in an over-capacity kind of situation. What we end up with at the end are multi-channels, so we have the online capability, telephone capability, kiosk capability and in-person capability, a modern delivery network that's designed for the capacity of what we need. We end up with approximately 300 locations. For 95% of our population, they're within 10 kilometres of a ServiceOntario centre—pretty impressive access.

As the minister has mentioned, for health card services, we will have moved from 27 permanent health offices to 300 offices across the province, and for driver and vehicle licensing, from about 265 offices to 300 offices.

**Hon. Harinder S. Takhar:** Mr. Chair, can I just make one comment? I know we're going to run out of time. I really want to thank all the members of the committee for asking their questions, getting into MGS issues and understanding them. I think that, over the last seven and a half hours, they have done a tremendous job, and I really want to thank them and all the staff as well for putting this together.

**Mr. John O'Toole:** Just a last—

**The Chair (Mr. Garfield Dunlop):** You've got about a minute and a half left.

**Mr. John O'Toole:** Within this whole thing, I have seen—and again, this is reasonably complimentary. Since the times I said to Art Daniels, who was quite a visionary assistant deputy minister, or whatever his title was, and I do recall that because much of what you said today and the transitional programming that's going on—birth certificates are a good example. Post 9/11, this was a huge issue—the security around these issues. At one time, the inconsistencies—because they used to be registered at the municipal level and there was a problem of who got paid for what transactional stuff. There were a lot of things to be administered.

This isn't something that has magically happened out of some political motive, but I think it's important to recognize that the ministry is moving in a direction where it's service-orientated or platform-oriented. I think there was one—your lost wallet. There was a website you could log onto with all of those documents. So it's good to see that these things, after several years, are moving along, and there are efficiencies built into that.

The downside to that is, what do you do in remote parts of Ontario? It's the same with having a template

that fits large urban but does not fit small-town Ontario. You see it in education, the footprint for school size, and you see it in your 10 minutes from every kiosk—except if you live in Timmins; you have to have an airplane to get to the kiosk.

These are important connections, and connectivity in this—it's all based on connectivity, really, whether it's by phone, Internet or some other form of access.

**The Chair (Mr. Garfield Dunlop):** Your time is actually up.

**Mr. John O'Toole:** So we understand that, and it's moving along. These interim reports are extremely important, Minister. Sometimes on these ministerial statements you should take a bit of time and spread some of the good news if there is any.

**The Chair (Mr. Garfield Dunlop):** Okay. Now we have 10 minutes remaining in the seven and a half hours. Mr. Miller, you have three minutes to sum up. If you'd like, you can ask a further question, and so could the Liberals.

**Mr. Paul Miller:** Okay, I've actually got one question and then I'll sum it up. You've said that you have cut consultants' retention and that the cost is down 35% to 40%—this is your ministry. It's my understanding that you work in conjunction with other ministries when you send out policy rules for retaining consultants. Would that be a fair statement?

**Mr. Ron McKerlie:** Yes.

**Mr. Paul Miller:** Okay. What would be your estimates for savings that can be achieved by other ministries which comply with your directives? Do you have access to these potential savings that can and should be available to the public? Also, what action does your ministry take other than sending a notification letter that the ministry in question is in violation of the directives? Do you take strong and effective action other than sending them a letter?

**Hon. Harinder S. Takhar:** Let me start by saying that I think every ministry has developed their results-based plan. The budgets have been set, and the budgets are not going up, so every ministry is expected to stay within their budget and also identify savings wherever those savings are.

My overall expectation is that the consultant expenditures should stay relatively stable or should marginally go down, because at certain times you have to acquire certain specialized skills to do the jobs. That's my expectation going forward, but I will ask the deputy minister to answer the other issues.

**Mr. Ron McKerlie:** We've also provided training for the different ministries so that they can, obviously, follow the rules and take advantage of the guidelines that are in place. IT Source is available to all ministries, so it reduces their use of IT consultants. These are staff that we've hired. The target is 275 of these individuals. They're consultants, and they'd work wherever the work is in any of the ministries. So those would be other opportunities where we can save money for other ministries.

**Mr. Paul Miller:** Thank you. In closing, I'd just like to thank the minister and the deputy ministers. You've surrounded yourself with very competent individuals who managed to even stretch the answers out so I couldn't get any more questions in. You guys are really good. Also, the remainder of your staff have done a good job.

1740

It's a huge ministry. It can be cumbersome at times with the amount of geographical challenges and all the things that go with it. I think you're doing okay. Of course, we have to ask the tough questions in opposition to keep you tuned up so that you don't slip, but I'd just like to end by thanking you. I think you did one of the better jobs I've seen in estimates.

**Hon. Harinder S. Takhar:** I just want to say thanks to everyone, especially the members. I know they put in a lot of their time and effort as well—and my staff. I also want to say they recognize the kind of work we are doing. I think one of the purposes of estimates is to do that as well.

I know one of my colleagues here is in a little bit of an emergency situation, so—

**The Chair (Mr. Garfield Dunlop):** Do you have any—

**Mr. Bill Mauro:** Sure. As we wrap up our seven-and-a-half hours, just a quick comment. Thank you again, Minister and staff, for what you do. And to the other members of the committee, I know as provincially elected members how hard all of us have to work, primarily, I think, because the services we provide to the constituents we represent are very tangible services, when you think about health care, transportation and education. Sometimes, I'm not sure what our federal friends are spending their time on, but I do know that everybody we represent uses all the stuff that we are responsible for and that we work on. As a result of that, it can be a very busy kind of work that we do.

The services that are provided directly through the Ministry of Government Services, like health cards, birth certificates, drivers' licences, hunting and fishing licences and business licences—I can tell you that the litmus test I use to see if you're doing a good job in your ministry, the barometer, so to speak, is my beachhead, which for all of us is our constituency offices. I can tell you, in the almost seven years that I've been there, the amount of time that my staff is required to spend on issues related to services provided by the Ministry of Government Services has significantly declined. For me, that's the truest test and a testament to the work that you and your staff are doing. I want to thank you for that and all the members for being here. Thank you.

**Hon. Harinder S. Takhar:** Mr. Chair, I have to table a couple of these answers as well. We will give them to the clerk.

**The Chair (Mr. Garfield Dunlop):** Thank you very much, Minister.

The official opposition will finish this off as well.

**Mr. John O'Toole:** Again, we're kind of repeating here, but I want to thank you, Minister. As straight-



forward as it can be, when you were being questioned—it is our job to be as prepared as possible; it may not be as good as it should have been.

Also, to explain to the staff, we have different functions. They know that; they've been here longer than us and probably will be here longer than us, which is another issue. But I think the excuse for the procedural rules today as well—there were some delays where all the staff were sitting here. They're highly qualified people, prepared to answer difficult questions. I do respect that, even though a lot of times it may not sound like I have that kind of respect; I do. I have a different function, but I do get along with the minister who I'm critic of well enough that we have a bit of humour in what we do.

I still think there was some time that could have been spent on the discussion earlier on the Truth in Government Act. I think it's penny-wise and pound-foolish in terms of what you invest in accountability. I'd be saying here on my own behalf that certainly the Auditor General—although they'd like to expand their bureaucracies as well, I'd give them free reign. I think André Marin is probably one of the best ombudsmen we've had. He sticks his nose in, perhaps where he shouldn't, on clarity of mandates. But some of the agencies—the Human Rights Commission—are empowered to make difficult inquiries.

It's the same with the opposition. Often, we don't get the media attention in this ministry, which is a pretty important ministry for providing the infrastructure, human and technical, for services. It really is. It's connecting the dots, as you said in your preamble going into it.

But you know, this is all in the climate of a budget deficit, a \$21-billion operating deficit. It reminds me of when I was a regional councillor in Durham. My part-time job or my old timer's hockey time—I had a job with General Motors. After I left, they went off the cliff—

*Laughter.*

**Mr. John O'Toole:** I'm only kidding. No, it's a tragedy, because I did work in personnel and areas like that, in systems for a while. They're a company. That's the whole issue here.

When I met Floyd Laughren in 1993—this was called the expenditure reduction plan.

**The Chair (Mr. Garfield Dunlop):** You have 20 seconds left.

**Mr. John O'Toole:** They ran into revenue problems, which ended up in the whole social contract business at the end of the day. It was a three-step phase. I see the government, unless revenue picks up in the next quarter—good luck. There are difficult decisions to be made. Plans are good and I know staff can only work with the direction of government. I've enjoyed the learning experience. Perhaps I'll take you up on a couple of these pieces—

**Hon. Harinder S. Takhar:** Yes, absolutely.

**The Chair (Mr. Garfield Dunlop):** Thank you very much, Mr. O'Toole. I'm now going to call the votes.

Shall vote 1801 carry?

**Mr. John O'Toole:** Chair, I just want to make sure that there are six votes: 1801, 1807, 1808, 1811, 1812 and 1814.

**The Chair (Mr. Garfield Dunlop):** Yes, there are.

**Mr. John O'Toole:** I'd like to make sure we divide those six votes because—

**The Chair (Mr. Garfield Dunlop):** They are already divided.

**Mr. John O'Toole:** They are divided?

**The Chair (Mr. Garfield Dunlop):** Yes.

**Mr. John O'Toole:** Great.

**The Chair (Mr. Garfield Dunlop):** I'm going to ask for the votes now.

**Mr. Robert Bailey:** Chair, I'd like to ask for a 20-minute recess so that we can caucus before the vote.

**The Chair (Mr. Garfield Dunlop):** I'm going to ask for a vote first. Shall vote 1801 carry?

**Mr. John O'Toole:** No.

**Mr. Robert Bailey:** Chair, I'd like to ask for a 20-minute recess.

**The Chair (Mr. Garfield Dunlop):** Okay. That means, ladies and gentlemen, that with the timing of the day and the recess being called, the meeting will be adjourned until tomorrow at 3:45, or until after routine proceedings. That's under standing order 129(a). Meeting adjourned.

*The committee adjourned at 1745.*

## CONTENTS

Tuesday 18 May 2010

|                                      |      |
|--------------------------------------|------|
| Ministry of Government Services..... | E-51 |
| Hon. Harinder S. Takhar              |      |
| Mr. Ron McKerlie                     |      |
| Ms. Marian Macdonald                 |      |
| Mr. Bob Stark                        |      |
| Dr. Mark Vale                        |      |
| Ms. Catherine Brown                  |      |
| Mr. Frank D'Onofrio                  |      |

### STANDING COMMITTEE ON ESTIMATES

#### Chair / Président

Mr. Garfield Dunlop (Simcoe North / Simcoe-Nord PC)

#### Vice-Chair / Vice-Président

Mr. Robert Bailey (Sarnia–Lambton PC)

Mr. Robert Bailey (Sarnia–Lambton PC)

Mr. Gilles Bisson (Timmins–James Bay / Timmins–Baie James ND)

Mr. Jim Brownell (Stormont–Dundas–South Glengarry L)

Mr. Kim Craiton (Niagara Falls L)

Mr. Bob Delaney (Mississauga–Streetsville L)

Mr. Garfield Dunlop (Simcoe North / Simcoe-Nord PC)

Mrs. Amrit Mangat (Mississauga–Brampton South / Mississauga–Brampton-Sud L)

Mr. Phil McNeely (Ottawa–Orléans L)

Mr. John O'Toole (Durham PC)

#### Substitutions / Membres remplaçants

Ms. Cheri DiNovo (Parkdale–High Park ND)

Mr. Bill Mauro (Thunder Bay–Atikokan L)

Mr. Paul Miller (Hamilton East–Stoney Creek / Hamilton-Est–Stoney Creek ND)

#### Also taking part / Autres participants et participantes

Mr. Bruce Crozier (Essex L)

#### Clerk pro tem / Greffier par intérim

Mr. William Short

#### Staff / Personnel

Mr. Avrum Fenson, research officer,  
Legislative Research Service





E-5

E-5

ISSN 1181-6465

**Legislative Assembly  
of Ontario**  
Second Session, 39<sup>th</sup> Parliament

**Assemblée législative  
de l'Ontario**  
Deuxième session, 39<sup>e</sup> législature

# **Official Report of Debates (Hansard)**

**Wednesday 19 May 2010**

# **Journal des débats (Hansard)**

**Mercredi 19 mai 2010**

**Standing Committee on  
Estimates**

**Comité permanent des  
budgets des dépenses**

**Ministry of Government Services**

**Ministère des Services  
gouvernementaux**

Chair: Garfield Dunlop  
Clerk pro tem: William Short

Président : Garfield Dunlop  
Greffier par intérim: William Short

### **Hansard on the Internet**

Hansard and other documents of the Legislative Assembly can be on your personal computer within hours after each sitting. The address is:

<http://www.ontla.on.ca/>

### **Index inquiries**

Reference to a cumulative index of previous issues may be obtained by calling the Hansard Reporting Service indexing staff at 416-325-7410 or 325-3708.

### **Le Journal des débats sur Internet**

L'adresse pour faire paraître sur votre ordinateur personnel le Journal et d'autres documents de l'Assemblée législative en quelques heures seulement après la séance est :

### **Renseignements sur l'index**

Adressez vos questions portant sur des numéros précédents du Journal des débats au personnel de l'index, qui vous fourniront des références aux pages dans l'index cumulatif, en composant le 416-325-7410 ou le 325-3708.

---

Hansard Reporting and Interpretation Services  
Room 500, West Wing, Legislative Building  
111 Wellesley Street West, Queen's Park  
Toronto ON M7A 1A2  
Telephone 416-325-7400; fax 416-325-7430  
Published by the Legislative Assembly of Ontario



Service du Journal des débats et d'interprétation  
Salle 500, aile ouest, Édifice du Parlement  
111, rue Wellesley ouest, Queen's Park  
Toronto ON M7A 1A2  
Téléphone, 416-325-7400; télécopieur, 416-325-7430  
Publié par l'Assemblée législative de l'Ontario



LEGISLATIVE ASSEMBLY OF ONTARIO

ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
ESTIMATES

COMITÉ PERMANENT DES  
BUDGETS DES DÉPENSES

Wednesday 19 May 2010

Mercredi 19 mai 2010

*The committee met at 1628 in room 151.*

MINISTRY OF GOVERNMENT SERVICES

**The Chair (Mr. Garfield Dunlop):** Okay, guys, we're going to wrap up these votes, if we can.

Yesterday, I called for the vote on 1801 and we had a recess. The recess is now over, of course. I'm going to call the question. Shall vote 1801 carry? Carried.

I'll move on to vote 1807. Shall vote 1807 carry? Carried.

Shall vote 1808 carry? Carried.

Shall vote 1811 carry? Carried.

Shall vote 1812 carry? Carried.

Shall vote 1814 carry? Carried.

Shall the 2010-11 estimates of the Ministry of Government Services carry? Carried.

Shall I report the 2010-11 estimates of the Ministry of Government Services to the House? Carried.

That's it, ladies and gentlemen. Thank you very much. That's the end of estimates. We'll be back Tuesday, June 1, at 9 o'clock for the Ministry of Revenue. The meeting is adjourned.

*The committee adjourned at 1630.*

## CONTENTS

Wednesday 19 May 2010

Ministry of Government Services..... E-77

### STANDING COMMITTEE ON ESTIMATES

#### **Chair / Président**

Mr. Garfield Dunlop (Simcoe North / Simcoe-Nord PC)

#### **Vice-Chair / Vice-Président**

Mr. Robert Bailey (Sarnia–Lambton PC)

Mr. Robert Bailey (Sarnia–Lambton PC)

Mr. Gilles Bisson (Timmins–James Bay / Timmins–Baie James ND)

Mr. Jim Brownell (Stormont–Dundas–South Glengarry L)

Mr. Kim Craiton (Niagara Falls L)

Mr. Bob Delaney (Mississauga–Streetsville L)

Mr. Garfield Dunlop (Simcoe North / Simcoe-Nord PC)

Mrs. Amrit Mangat (Mississauga–Brampton South / Mississauga–Brampton-Sud L)

Mr. Phil McNeely (Ottawa–Orléans L)

Mr. John O'Toole (Durham PC)

#### **Substitutions / Membres remplaçants**

Mr. Bob Chiarelli (Ottawa West–Nepean / Ottawa-Est–Nepean L)

Mr. Mike Colle (Eglinton–Lawrence L)

Ms. Lisa MacLeod (Nepean–Carleton PC)

Mr. Paul Miller (Hamilton East–Stoney Creek / Hamilton-Est–Stoney Creek ND)

Mr. Reza Moridi (Richmond Hill L)

#### **Clerk pro tem / Greffier par intérim**

Mr. William Short

#### **Staff / Personnel**

Mr. Terrence Teixeira, research officer,  
Legislative Research Service





## Legislative Assembly of Ontario

Second Session, 39<sup>th</sup> Parliament

## Assemblée législative de l'Ontario

Deuxième session, 39<sup>e</sup> législature

# Official Report of Debates (Hansard)

Tuesday 1 June 2010

# Journal des débats (Hansard)

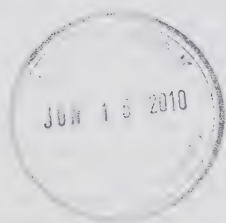
Mardi 1<sup>er</sup> juin 2010

## Standing Committee on Estimates

Ministry of Revenue

## Comité permanent des budgets des dépenses

Ministère du Revenu



Chair: Garfield Dunlop  
Clerk pro tem: William Short

Président : Garfield Dunlop  
Greffier par intérim: William Short

### **Hansard on the Internet**

Hansard and other documents of the Legislative Assembly can be on your personal computer within hours after each sitting. The address is:

<http://www.ontla.on.ca/>

### **Index inquiries**

Reference to a cumulative index of previous issues may be obtained by calling the Hansard Reporting Service indexing staff at 416-325-7410 or 325-3708.

### **Le Journal des débats sur Internet**

L'adresse pour faire paraître sur votre ordinateur personnel le Journal et d'autres documents de l'Assemblée législative en quelques heures seulement après la séance est :

### **Renseignements sur l'index**

Adressez vos questions portant sur des numéros précédents du Journal des débats au personnel de l'index, qui vous fourniront des références aux pages dans l'index cumulatif, en composant le 416-325-7410 ou le 325-3708.

---

Hansard Reporting and Interpretation Services  
Room 500, West Wing, Legislative Building  
111 Wellesley Street West, Queen's Park  
Toronto ON M7A 1A2  
Telephone 416-325-7400; fax 416-325-7430  
Published by the Legislative Assembly of Ontario



Service du Journal des débats et d'interprétation  
Salle 500, aile ouest, Édifice du Parlement  
111, rue Wellesley ouest, Queen's Park  
Toronto ON M7A 1A2  
Téléphone, 416-325-7400; télécopieur, 416-325-7430  
Publié par l'Assemblée législative de l'Ontario



## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
ESTIMATESCOMITÉ PERMANENT DES  
BUDGETS DES DÉPENSES

Tuesday 1 June 2010

Mardi 1<sup>er</sup> juin 2010*The committee met at 0901 in room 151.*

## MINISTRY OF REVENUE

**The Chair (Mr. Garfield Dunlop):** We'll call the meeting to order. Good morning everyone. Good morning, Minister Wilkinson, all the members of the Ministry of Revenue and everyone else on the committee. We're here for seven and a half hours to discuss the estimates for the Ministry of Revenue.

How we start is, the minister normally has 30 minutes to start, then we go to a response of 30 minutes from the official opposition. Ms. MacLeod, you and your colleagues can either make a 30-minute opening statement or you can go directly into questions with the minister. Then we can move to the third party for 30 minutes for their response and the same thing can apply: You can have a long response or you can go right into questions and answers. Then we go back to the minister for another 30 minutes. The minister can respond for up to 30 minutes or you can go right to questions and answers, but questions and answers have to start at the official opposition, so they would start in 20-minute rotations at that point until we complete the seven and a half hours.

**Ms. Lisa MacLeod:** Mr. Chair?

**The Chair (Mr. Garfield Dunlop):** Yes?

**Ms. Lisa MacLeod:** I'd like to seek unanimous consent from the committee for two stakeholders per political party to provide delegations for 15 minutes apiece, with an additional 1.5 hours added to the allotted time for the Ministry of Revenue for a total allotted time of nine hours.

**The Chair (Mr. Garfield Dunlop):** I'm sorry, Ms. MacLeod; at this point we had the original choice of the amount of time each party could use, and at the selection process time, the time we selected each of the ministries, it was agreed that this particular ministry would spend a total of seven and a half hours. Everyone agreed to that, so I have to rule that would not be—

**Ms. Lisa MacLeod:** Okay, so unanimous consent of the committee—

**The Chair (Mr. Garfield Dunlop):** We can't even ask for unanimous consent on that at this point. Okay?

**Ms. Lisa MacLeod:** Okay. Thank you very much for the clarification.

**The Chair (Mr. Garfield Dunlop):** Thank you.

With that, we'll now begin. We'll start with the minister. You have up to 30 minutes. I want to point out also,

ladies and gentlemen, that we do recess at 10:20 each time on the morning rounds. Okay? Thank you.

Minister, go ahead.

**Hon. John Wilkinson:** Good morning, Chair. Thank you so much, and thanks to all of the members of the Standing Committee on Estimates for this opportunity to speak with you this morning. I'm joined this morning by my assistant deputy ministers, Bob Laramy and Terry Hewak, and many of our ministry team here. My deputy will be joining us this afternoon.

I am particularly proud of the work that the Ministry of Revenue does for the people of Ontario and I'm pleased to have this opportunity to talk with you about the work we have done over the past year, our successes and our future plans.

As you know, the work of the Ministry of Revenue is important to Ontario's future success. Our work directly supports the government's Tax Plan for Jobs and Growth, which is designed to ensure Ontario is one of the most competitive jurisdictions in the industrialized world. We administer most of the province's tax statutes as well as a number of tax incentives and benefit programs. The revenues we collect provide the fiscal foundation upon which many of the government's programs rely.

We are a fair tax collector. By that, I mean we work hard to educate the public about their responsibilities and encourage voluntary compliance. Our efficient tax and benefit system is one that Ontarians can be proud of. We offer education and outreach services to encourage voluntary compliance, and yes, we do discourage non-compliance through enforcement activities. This work is vital to Ontario's economic health and well-being. That is something I take very seriously.

The Ministry of Revenue has had a very successful year and I want to take a moment to highlight for you some of the things we've achieved for the people of Ontario.

It's been a very busy year when it comes to tobacco tax enforcement. In five of the last seven years, Ontario budgets have strengthened enforcement against the illegal manufacture and sale of tobacco products. Convictions under the Tobacco Tax Act increased by 44% in fiscal 2009-10 from the previous fiscal year as a result of these steps.

Over the two years ending with March 31 of this year, about 77 million illegal cigarettes, 346,000 untaxed cigars and 33 million grams of fine-cut tobacco had been

seized by ministry investigators and inspectors. Those 77 million illegal cigarettes that we have seized, if we could stack them end to end, would dwarf the CN Tower. In fact, it would be roughly the height of 12,500 CN Towers. The untaxed cigars that we have seized, if stacked end to end, would be the height of 56 CN Towers. And when it comes to fine-cut tobacco, when weighed together it would rival the weight of seven African elephants.

Not only do we seize illegal product, we also lay charges against those found to be violating the Tobacco Tax Act. Ministry staff conduct an average of 600 retailer inspections each month, and since March 2006, penalties assessed against those violating the Tobacco Tax Act total over \$14.6 million. I have had the privilege of riding along with our inspectors as they do this important work.

Combatting the illegal tobacco trade is a very complex matter needing the active leadership of the federal government as well as the involvement of Ontario and Quebec, New York state, the US government, various police agencies and First Nations. The Ministry of Revenue participates in many joint operations and investigations to enforce provincial and federal tobacco laws. Recent efforts to target off-reserve smoke shacks have resulted in the closure of some of these businesses.

We have also worked hard over the past few years to modernize our systems and streamline our services to make it easier for taxpayers to do business with us. Our goal for this year, 2010-11, is to have taxpayers using online services to remit payments 55% of the time. That's roughly 275,000 online payments. In addition to providing taxpayers with the option of online payments, we've introduced a single, toll-free phone number for ministry programs and new Internet services, providing taxpayers with self-serve options to manage their tax accounts. We are modernizing our tools, responding to the needs of the business community and making it easier for taxpayers to work with us.

Internally, we have improved our data capture and payment processing technology. This dramatically reduces the administrative burden of managing government revenue by simplifying remittances, data processing and image capturing. We are now able to process, with an amazing degree of accuracy, 92% of Ontario's revenue on the same day that it is received. This means that we are updating IFIS faster and optimizing cash flow available to the Ontario Financing Authority.

0910

Of course, with the announcement of the largest tax reform in over 40 years, including the HST, this has had a significant impact on our ministry.

Before talking about the many positive impacts of tax reform and what it means to Ontario, I want to talk briefly about how the ministry has worked to transition from the current retail sales tax to the federally administered harmonized sales tax. It takes considerable work to process RST returns and refund claims; complete audits; handle objections, appeals and interpretation requests; and collect outstanding retail sales tax accounts.

We are doing that work while meeting our regular business targets and transforming, with the federal government, sales tax in Ontario. I'm very proud of ministry staff for all the work they have done in these areas in anticipation of the July 1 change.

For the past six and a half years, the McGuinty government has been strengthening Ontario's economy by investing in the skills and education of our people, creating partnerships with business, making investments in research and innovation, cutting taxes for business and people, and investing in the infrastructure that keeps our economy moving. Creating that climate started with a package of tax reforms that will modernize our tax system to make us more competitive and create more jobs. It's something that we had to do. The recession showed us that change was an absolute must.

I've had the opportunity to go right across this province and ask the same question to regular people, which is: Do you think the economy, after the recession, is going to be the way it was or do you think it's going to be different? Overwhelmingly, people tell me that the economy of the future is going to be different than the economy we have enjoyed in the past. That's why people have told us that the status quo itself is unacceptable; that we must change.

So it has been one of those rare occasions, something that occurs at most once in a generation, when we are all forced to ask ourselves some fundamental questions about the way we're doing business, about the structures and systems we've taken for granted for so long. And nowhere was there a better place to start than with the outmoded sales tax system we've been using since 1961, when I was just two years old, and when many on this committee had not even been born yet. When we look at the data, it is clear that Ontario is an export-oriented jurisdiction. We export the majority of the goods and services we produce, yet we still tax the inputs needed to make these goods and services in the first place. Quite simply, the dual sales tax system we are using today is a hindrance to Ontario businesses, one we can no longer afford.

In almost all of the advanced economies in the world today, there is but one sales tax, and it is a value-added tax. More than 140 countries now have the tax system we are bringing in on July 1. Ontario cannot afford to fall behind. We compete globally, and therefore we have to be competitive globally. As a government, we need to make sure that there are jobs today, jobs tomorrow and jobs for the next generation. That is the most important thing we all must focus on, coming out of what people refer to as "the great recession," the first time that the global economies have shrunk at the same time since the dirty thirties.

The speech from the throne launched our comprehensive five-year Open Ontario plan to create jobs, grow our economy and build a stronger Ontario. The plan begins with creating a climate where businesses can thrive, create jobs and build innovative new products to sell to the world. Open Ontario will enable us to get



ahead of the curve in emerging industries, like the green energy and clean water sectors, and it will allow us to thrive in the knowledge economy over the long term by strengthening post-secondary education for all Ontarians.

Tax reform, including the harmonized sales tax, is also a key component of Open Ontario because it will help create a climate where businesses can thrive—because Ontario is open to change, open to opportunities and open to our new world. It will make our businesses more competitive, get people back to work and cut taxes.

Why is the HST an essential item to make Ontario stronger? It is essential because we need to modernize our tax system to make us more competitive and, thus, create more jobs.

Starting July 1 this year, Ontario's businesses will deal with one sales tax instead of two, one set of rules instead of two and one level of government instead of two. Businesses will enjoy tax savings under the HST through input tax credits. They will further benefit from more than \$4.6 billion in business tax relief over the next three years, as announced in our 2009 budget. This means that businesses will have more money to invest in growth and job creation.

Independent economists have looked at our comprehensive tax package, and they like what they see. University of Calgary economist Jack Mintz looked at our whole tax package—the HST and our tax cuts—and said that it would create nearly 600,000 more Ontario jobs over the next 10 years, including over 100,000 in manufacturing alone. He said that as a result of the changes we are making, Ontario will see an increased capital investment of \$47 billion. That's like Ontario getting five new car assembly plants every year for the next 10 years. Finally, Dr. Mintz looked at our plan and said it would result in an increase in overall annual worker incomes of up to 8.8%. That's \$29.4 billion a year in additional income. These are significant numbers.

We took many steps in addition to the harmonized sales tax to support Ontario through the worst global economic downturn in 80 years. A lot of people like to talk about the HST as a one-off, but it's actually part of Ontario's Tax Plan for Jobs and Growth.

Business will also benefit as we are dramatically cutting the general corporate income tax rate from 14% to 12% as of July 1 this year and then again to 10% over the next three years.

The corporate income tax rate on income from manufacturing and processing, mining, logging, farming and fishing will be reduced from 12% to 10% on July 1.

On July 1, we're permanently cutting the small business corporate tax rate from 5.5% to 4.5%. As well, we're eliminating the small business deduction surtax, making Ontario the only province to eliminate this barrier to growth. I've always said, as someone who comes to this place from a small business, we actually have a tax on small businesses just as they really start to cook. The number one source of new jobs in this economy is small business. There is not a large business that didn't start as a small business. So we're the very

first province in this country to eliminate that tax barrier to growth.

These tax cuts are in addition to more than \$1.6 billion in annual savings for businesses from the elimination of the capital tax on July 1, 2010, a tax that our businesses had to pay in the depths of the recession even though they weren't making money. That's why it's important for us to get rid of that tax. It was a job-killing tax.

Together, these improvements mean that Ontario businesses, from factories to small businesses, will have more money to invest in their future. When businesses do well, when they become more profitable, they expand, and they invest in more and better equipment. That means hiring more people, more jobs and better jobs. At the end of the day, that not only means a more healthy economy with more people buying things; it means we're able to support those vital services like hospitals, schools and safe communities. That is what this is all about, and that is why my ministry takes pride in administering these tax changes and helping businesses transition to the harmonized sales tax.

There are some who are trying to create the impression that our tax reform comes down to nothing more than increased sales tax for many items, but this is simply only half the picture. Savings in administrative costs for businesses alone will be about \$500 million a year each and every year.

It's worth repeating that, thanks to these tax changes, Ontario will have one of the most competitive environments in the industrialized world for business investment, and that means greater prosperity for our families.

This is truly the most important tax change in a generation, and you don't have to take my word for it. The TD Bank looked at our comprehensive tax reform package. They estimate that the harmonized sales tax will reduce the cost of doing business in Ontario by roughly \$5.3 billion a year and that the majority of these savings will be passed on to consumers within the first year.

#### 0920

Today the existing retail sales tax is passed on to consumers in the form of higher prices at the cash register because the same value is taxed more than once—in some cases, over and over again.

Under a value-added tax like the harmonized sales tax, businesses will generally be reimbursed for the tax they pay on most of their inputs, which will relieve them of this tax burden, thus lowering the cost of business. Just as higher costs lead to higher prices, lower costs lead to lower prices in a free market economy.

Economists agree with us that this package is good for business in Ontario, but what about the everyday Ontarian: the single parents, the seniors on a fixed income, the workers and their families emerging from these tough economic times? They benefit from this tax package too, in significant ways.

Let's be clear about how families and individuals will benefit from our tax measures that are providing tax relief totalling \$11.8 billion over the next three years alone. Starting on January 1 of this year, about 93% of

Ontario taxpayers saw an income tax cut. We permanently cut the personal income tax rate from 6.05% to 5.05% on the first \$37,106 of taxable income.

We're helping low- and middle-income Ontarians through the new and enhanced Ontario sales tax credit, providing up to \$260 a year for each eligible adult and each child. It will be paid quarterly, it is tax-free and it begins in August 2010. The Ontario sales tax credit will provide sales tax relief of over \$1 billion per benefit year to about 3.1 million families and individuals.

We're also helping approximately 2.8 million families and individuals who will benefit from the proposed Ontario energy and property tax credit, which would provide over \$1.2 billion annually in energy and property tax relief.

We're helping Ontarians adjust to the HST by providing the Ontario sales tax transition benefit payments in June of this year, again in December, and next June. Eligible families, including single parents with children, with adjusted family net incomes of \$160,000 or less, will receive three payments totalling \$1,000 over the next 13 months. Eligible single people with adjusted net incomes of \$80,000 or less will receive three payments totalling \$300—again, tax-free. When you add it all up, the Ontario sales tax transition benefit will provide, in the next 13 months, \$4.2 billion in tax-free cash payments to some 6.6 million Ontario families and individuals.

So although moving to the harmonized sales tax will cause some purchases to cost more, it is not an across-the-board tax grab, as some opposition members would like Ontarians to believe.

We are doing what we can to make the transition easier. In total, we are providing \$675 million a year in relief directly to Ontarians through point-of-sale rebates. Books, including audiobooks; children's clothing; children's footwear; children's car seats and car booster seats; diapers; feminine hygiene products; qualifying prepared food and beverages sold under \$4; and print newspapers will all have a point-of-sale rebate. A total of 83% of consumer purchases will not see a new tax. In fact, on a number of items, prices are expected to come down.

According to a recent report by TD Bank, an estimated 80% of the cost savings will be passed through to consumers by the end of the first year, rising to 95% by the third year.

It takes time for income tax cuts and the repricing of the market to work their way through the economy, but they will work their way through and we will see significant benefits. That's why we secured some \$4.3 billion from the federal government: to support consumers.

Again, you don't have to take my word for it. You can take the word of Michael Oliphant, director of research and communications at the Daily Bread Food Bank. He says, "In terms of the net impact of the sales tax harmonization ... overall it will actually improve the incomes of low-income Ontarians..."

Or take the word of Pat Capponi from the 25 in 5 Network for Poverty Reduction, who has said that the

2009 Ontario budget "moved the bar forward on housing, tax credits, and child benefits in ways that will make a tangible difference in the lives of many Ontarians," or perhaps John Stapleton from the Canadian Centre for Policy Alternatives, who summed it up best when he said, "This is a budget that favours low-income people, and the working poor most of all, because when you look at all of the benefits, it is clear that the working poor and those with low wages are going to be better off as a result of these budget measures."

As I just mentioned, we are helping Ontarians through the transition because we know change can be hard sometimes, but the world has changed, and we need to change with it.

One of the main responsibilities of the Ministry of Revenue is to help Ontarians understand the changes and why they're necessary, and to help ensure businesses and individuals get the transitional support they need. I have personally spoken to about 13,000 business stakeholders and individuals at over 90 events. My travels have taken me from Fort Frances to Leamington to Cornwall and everywhere in between. About 175 of these stakeholders were at the Ontario Economic Summit in Niagara-on-the-Lake last year, and they heard from Dr. Jack Mintz directly.

I have been ably assisted by my two parliamentary assistants, Mr. Naqvi and Mr. Delaney, who also have criss-crossed this province.

Ministry staff members, with staff from the Canada Revenue Agency, have jointly conducted more than 800 seminars in Ontario between September of last year and April of this year, reaching over 20,000 attendees. We anticipate a rate of 90 sessions per week to be scheduled for June. On top of that, we have conducted an additional 151 technical presentations to business stakeholders such as chambers of commerce and business associations for over 6,250 participants. Twenty-six more events are scheduled for this month and next.

For example, we have written articles for the newsletters of Certified Management Accountants and Certified General Accountants, conducted 16 interactive online webinars, mailed information to about 125,000 sales tax vendors each month and posted a series of tax tips on the tax change website.

Through all of this outreach and education work, we are hearing that the tax reforms are working. The business community has long understood the benefits of moving to a value-added tax from the outmoded sales tax that we've had since 1961.

I was in Cornwall on April 15, visiting a small business called DreamBuilderStudios. It provides a facility for independent artists who typically would not have access to a large studio complex to create their art. Its main focus is assisting artists to help realize their dreams. Our tax reforms are helping this business because on July 1 of this year, Ontario's businesses get to deal with one tax instead of two, one set of rules instead of two and one level of government instead of two. For Paul Bryan of DreamBuilderStudios, the new system means more time to grow his business.



I also want to tell you about my recent visit to Peterborough, also in April. I went to tour the General Electric Canada plant there, which was originally opened in 1892—not 1992 but 1892. General Electric Energy is one of the world's leading suppliers of power generation and energy delivery technologies, providing a broad array of solutions for traditionally fuelled plants as well as those driven by renewable resources such as wind, solar and biogas. They make the largest motors in the world.

GE announced that they are investing another \$100 million in Peterborough. They could have invested anywhere in the world, they could have invested anywhere in Canada, but they decided to invest in Ontario, in Peterborough. This is the biggest GE investment in our country in well over 100 years, so that tells me our investments are working, our changes are working.

But again, you don't have to take my word for it. Ross Garland, the general manager of GE Peterborough, told me that Ontario's Open for Business strategy is a strong incentive for GE's investment in our province. Subsequent to my visit to GE Canada, they announced that they have landed the largest contract ever in the history of their company. With who? The People's Republic of China. We are selling our advanced manufacturing technology products to the world and to the largest market in the world.

But the General Electric investment is not the only investment that has come about because our government was bold enough to make a monumental change to how we do business.

0930

Already, Telus, a company that has been delivering innovative telecommunication solutions to Canadians for more than 100 years, has said that because of our tax changes, they'll be able to invest more in Ontario, some \$300 million more a year. Tim Hortons recently repatriated its corporate headquarters from the US to Oakville, citing both federal and provincial tax changes. IBM's latest annual Global Location Trends report now says Ontario is the leading foreign direct investment location in North America.

Clearly, leading economists and business analysts are coming out in support of what we're doing. Business associations have been calling for a harmonized tax for many years, but how does what we are doing compare with what other jurisdictions are doing? Well, in more than 140 countries, and four of our sister provinces, the value-added sales tax, like the HST, is already a fact of life. I already mentioned that if a country wants to join the European Union, it won't even be considered unless they introduce a value-added sales tax. You probably know that when we said we were going ahead with tax reform, including the HST, BC announced that they would as well. Their Minister of Finance put it this way: "We had to move fast so as not to be left at a competitive disadvantage in comparison to Ontario."

We know these changes are good for Ontario because they have worked in other Canadian provinces. The experience in Atlantic Canada shows that following

harmonization with the federal goods and services tax, savings to businesses from the removal of the retail sales tax on their business purchases were rapidly passed through to consumers, resulting in lower prices for some products. The same is expected to occur in Ontario's highly competitive economic environment. Remember, the TD Bank predicts that 80% of business savings will be passed along in the first year, rising to 95% by the third year. When Newfoundland and Labrador, Nova Scotia and New Brunswick harmonized with the federal GST, studies show that cost savings were passed through to consumers. This led to lower prices for products. The same is expected to happen in Ontario's highly competitive economic environment.

We have to give our businesses, especially our manufacturers, the same advantages they enjoy in other jurisdictions around the world, the jurisdictions that we compete with for jobs every day. They need a level playing field so they can invest in Ontario and create jobs in Ontario. Political opponents are trying to create the impression that our tax reform comes down to nothing more than increased sales taxes for items. The truth is that our tax package is much more than that. Our tax package cuts taxes and creates jobs. It's about more people paying taxes, not people paying more taxes. The global recession has caused our corporate tax revenues to drop by nearly one half. That has never happened in the history of Ontario. That's how big and deep that global recession was, and it has caused our financial support for people, those who lost their jobs—

**The Chair (Mr. Garfield Dunlop):** Two minutes, Minister.

**Hon. John Wilkinson:**—including the cost of re-training, to rise dramatically. This has presented us with a tremendous challenge. Just as it was right for our generation to protect ourselves and stimulate our economy, it is right to turn over our books to the next generation in good fiscal order. The Ontario government is meeting that challenge.

Really, what we have here is a comprehensive tax plan for jobs and growth that is having real, tangible effects on our economy. Jobs are being created and people are getting back to work. We need more people paying taxes, not people paying more taxes, and that is exactly what we're getting.

As John F. Kennedy once said, "Change is the law of life, and those who look only to the past or the present are certain to miss the future." The McGuinty government does not want Ontario to miss the chance to prosper in a changing economy. This is about changes to the way that we do things. The world needs a strong Ontario to lead the way, not only to provide the goods and services the global economy demands, but to provide the example of a good, strong, compassionate society that our world needs.

There comes a time when a generation such as ours is called upon to do something that is not an easy thing to do. Whether we like it or not, we are grappling with the reality of a new world, and Ontarians understand that. We

want to leave—and I'm sure all of us want to leave—a better world for our children; a stronger world, a more prosperous world with better public services. That's why we're doing it: not because we want to, but because we need to. Every so often, we are called to lead and to do the things that we need to do. Thank you.

**The Chair (Mr. Garfield Dunlop):** Thank you. You had 15 seconds left; that was pretty good.

**Hon. John Wilkinson:** Thanks for the two-minute warning. That was very helpful, because I edited on the fly.

**The Chair (Mr. Garfield Dunlop):** Now we'll go to the official opposition. Ms. MacLeod?

**Ms. Lisa MacLeod:** Welcome to committee, Minister. It's great to have you here, and I appreciate you, as well as a number of your staff here today, taking the time to answer our questions for the next seven and a half hours. I do have a lot of questions for you, so I do hope that we can keep our questions and our answers short, so that we can get through as much as possible.

I just want to start off with some history. In 2003, the Progressive Conservative Party, under Premier Ernie Eves at the time, had put forward a budget that said corporate taxes would be 8% by 2006, small business taxes would be 4% by 2005 and personal middle-income taxes, second bracket, would be 8.85%.

Shortly after coming to office, your party rolled back or cancelled all those tax cuts, so corporate taxes were 14%, small business taxes were 5.5% and personal middle-income taxes, second bracket, were 9.15%.

After your comprehensive tax plan, corporate taxes will be 10%, which is a 25% net increase since 2003; small business taxes will be 4.5%, which is a 12.5% increase since 2003; and personal middle-income tax for the second bracket will be 9.15%, which is 3.4% more as a net increase since 2003.

So the question is: Why is the government continually saying that their comprehensive tax package is Ontario's largest tax cut in history when it simply isn't?

**Hon. John Wilkinson:** That's a good question. First of all, in 2003 when we took office, the government of the day, the one that we inherited, was actually running a deficit that was hidden from the public of Ontario. That's why we passed the taxpayers' transparency and accountability act: to ensure that governments have to be very forthcoming in virtually real time about the state of affairs when it comes to our fiscal shape.

Also in 2003, I can tell you that our government received a mandate from the people of Ontario to restore their public services, and we were very clear about that. The only thing that was unclear was the size of that hidden deficit. In this very place, Ministers of Finance of the day were telling a committee much like this that there was no deficit. Of course, work by our former Auditor General revealed that it was some \$5.6 billion, so we had to make decisions about that.

I think I'd say, Ms. MacLeod, that we have had in this province for the last 20 years provincial governments of three different political stripes and federal governments

of two different political stripes who have come to the conclusion that we should reform our antiquated sales tax system, but they were unable to find enough common ground to move forward with that.

I would say that because of the leadership of Prime Minister Harper and Premier McGuinty, and particularly of Minister Flaherty and Minister Duncan, we were able to break a 20-year logjam when it came to taxes in this province by doing two things: by allowing provinces to have some 5% leeway in regard to the exemption of items from the total tax base—that was a historic change; and also the ability of the federal government to help a province support its consumers in the first year of tax reform, because it is challenging. That change is what has allowed us now to have a dramatic reduction in income tax and corporate tax.

**Ms. Lisa MacLeod:** I appreciate where you're coming from, Minister, but it's totally off base. I did ask you why you said you had the largest tax cut when it wasn't.

The other thing to bear in mind is the \$5.6-billion deficit, which wasn't based on a structural deficit; it was related to SARS, to mad cow, to a blackout. It was \$5.6 billion; it pales in comparison, quite frankly, Minister, to the \$21 billion in deficit that your government has rung up over the years.

In addition to that, Minister, you must remember that not only did you take away those tax cuts, but you also implemented the health tax, which, according to your books, is \$17.8 billion to date.

I guess the question, Minister, is how much money have you taken from Ontario families since 2003, based on the health tax; based on all of the corporate, small business and personal income tax rollbacks; based on all of the other hidden fees that we've seen, whether it was from delisting services in health care or from hydro taxes or other taxes that have occurred?

**0940**

Can you answer and be forthright with this committee today to tell us how much more money you have taken from Ontario families, Ontario taxpayers and Ontario seniors as a result of taking office in 2003? I believe your aide is right there to tell you.

**Hon. John Wilkinson:** I'm here to discuss the estimates of my ministry, but if we want to have a discussion on history, I'd be more than happy to indulge the Chair on that, if he finds that acceptable.

When it comes to how much money the government of Ontario has raised since 2003, all of that is a public record. Each and every line is detailed. I think the difference now is that no government can hide a deficit because of the requirements of our act in regard to fiscal transparency and accountability. If memory serves me right, that is something that your party voted against at the time.

**Ms. Lisa MacLeod:** I bet there are days you wish you could hide that deficit.

**Hon. John Wilkinson:** No, you can never—the Premier, I think, was very, very insightful about that. You



know it's the right thing to do when you realize that if someone comes along and says—even the people, like your party, who voted against it. If they were to go to the people and say, “You know what? We'd like to go back to the old system where the government of the day can hide a deficit,” no one would support that. That's why we took that bold step, and it helps hold the government of the day and all future governments to account.

The amount of money that we raise is plain to the public.

We've looked at the fact that the recession that we are just coming out of—and we are actually leading the world—

**Ms. Lisa MacLeod:** Mr. Chair, I asked for a number—if he would provide me with a number of how much more money the government has received as a result of rolling back the tax cuts, bringing in the health tax and all of the other hidden fees and delisting. I would appreciate that global number. If I'm not able to receive it from the minister, I would like to move on to another question.

**The Chair (Mr. Garfield Dunlop):** Minister, do you have that particular number handy, or can you get it to her at another point?

**Hon. John Wilkinson:** The published accounts of the government of Ontario since 2003 are a matter of public record.

**Ms. Lisa MacLeod:** So you don't have the number.

The next question I have is, how many manufacturing jobs would have been saved if you didn't increase corporate taxes by 75%?

**Hon. John Wilkinson:** That would be mixing apples and oranges. That would assume that somehow the economy of Ontario had some impact on the biggest economic downturn in 80 years where every economy in the world shrank at the same time. That hasn't happened since the dirty thirties. That's an orange; your question is an apple.

**Ms. Lisa MacLeod:** Then let's move on to this: What is the loss of revenue from closed and bankrupt companies after you increased taxes on small businesses by 12.5%? I know you're going to talk about the global economic recession, but what was the cost to the revenues of this province?

**Hon. John Wilkinson:** When we rolled back your—at the time, what we would say—very unwise tax cuts while the province was running this hidden deficit that you are responsible for in your party, what happened is that Ontario enjoyed economic growth. It allowed us to pay off that deficit and to run surpluses.

**Ms. Lisa MacLeod:** For a very short period of time before—

**Hon. John Wilkinson:** Well, I think for four of the seven years that we've been in power—and you take off the one that we inherited and got that looked after in short order. And then we dealt—

**Ms. Lisa MacLeod:** I think that was because of the \$17.8-billion health tax.

The reality is, Minister, your party has taxed and spent, taxed and spent, taxed and spent, and now you're coming up with this myth that you hope people will buy into, that you're coming up with the largest tax cut in history, when in fact it still is nowhere near where Ontarians would have been had you not taken office and had you not rolled back those tax cuts and had you not brought in the largest tax increase, at the time, in Ontario's history with the health tax.

I'm going to quote a Premier who once said about the harmonization of taxes: “won't do it because it's going to come at an economic disadvantage to the province of Ontario. I can't see it happening unless our taxes go up ... In fact, we'll have a net loss. So, I'm not going to be harmonizing our taxes.”

Premier McGuinty said that on May 31, 1999. But just one short month ago, on May 5, Mr. McGuinty said in the *Ottawa Citizen*, “I think for families at the outset there will be an increase in taxation.”

This is a Premier who has shifted, along the way, his view toward what is taxation and how he's going to protect the taxpayer. It's also a Premier who desperately needs money.

You like to talk about a \$5.6-billion deficit based on three crises that the province faced in the year 2002-03, but the reality is, we have a \$21-billion deficit and you're raising taxes at consumption on some non-discretionary items which seniors and middle-class families rely upon. So I'm just wondering why the Premier, over a 10-year period, had such a dramatic change of heart.

**Hon. John Wilkinson:** First of all, on the first premise that we're a tax-and-spend government, I can tell you—and I know that you're not relatively new anymore, Ms. MacLeod—all governments tax and all governments spend. Government represents us coming together as a community to provide public services that we cannot provide to ourselves by ourselves. That's why there is government. It is the expression of that community. That requires people to pay taxes into the pot, and that allows the pot to provide those services. So it's a misnomer to say that there is any government that is tax and spend. That is the definition of government. The question is, who pays, how much, and where does the money go? And that, of course, leads to differences of opinion about how that is done.

We were very clear about what we needed to do to restore public services that had been decimated. That's exactly why we received a mandate from the people in 2003 and 2007.

I think when you quote the Premier—

**Ms. Lisa MacLeod:** Don't you think there comes a time when enough is enough?

**Hon. John Wilkinson:** I'm just trying to answer your—

**Ms. Lisa MacLeod:** I'm just asking another one, Minister. Do you not think, after all of your travels—and I applaud you, quite frankly. I know how difficult it is to travel myself, with a family at home, and I know this year has not been easy for you. You've been travelling an

awful lot, and I commend you for that. But you can't be telling me here today that the people you've talked to in all of those consultations haven't been telling you enough is enough. They're seeing a \$21-billion deficit, they're seeing the erosion of their pocketbook, and it's getting to be a very difficult time, and two of the largest tax increases in this province's history have come under your government's mandate. So I guess I'm asking that question: How much is enough?

**Hon. John Wilkinson:** Actually, it goes to the question of the myth that I think you're perpetrating: that somehow the HST is one part of our tax reform and the only part. As we've said in public accounts and as we've said in the House, we're actually cutting income taxes dramatically for people and businesses—billions of dollars. For individuals, in the next three years alone that accounts for some \$11.8 billion. For businesses, I think it's some \$4.6 billion. So you have to take a look at our tax reform in total, and the HST is just one part of that.

I can tell you that when I talk to the people of Ontario and I tell them the whole story, they then wonder why there are some people only telling half the story.

**Ms. Lisa MacLeod:** Minister, if you don't mind, I wouldn't mind asking about the modelling in which you found that this is going to create jobs and reduce prices.

I wonder two things, actually. What's the modelling that you used to come to these conclusions, notwithstanding Mintz's report—because one would have to assume the Mintz report came after your decision to move forward with the HST. The second is, if you put this model forward, are you able to expand on it and tell us exactly what prices will go down on what products and where the 600,000 jobs are going to occur—what sector—and what are those salary levels? Can you be specific?

**Hon. John Wilkinson:** What I can tell you is, for example, on July 1, the marginal effective tax rate on new investment on business in this province is being cut in half. Right now, we are competitive with the Great Lakes states that we compete with every day for jobs. I'm thinking of New York, Ohio, Pennsylvania, Michigan. We compete with them every day. The rate of taxation—

**Ms. Lisa MacLeod:** So I guess the question is back to—

**Hon. John Wilkinson:** Well, if I could get a chance to actually answer the question—

**Ms. Lisa MacLeod:** I just asked what was the model that you used and will you provide it to this—

**Hon. John Wilkinson:** I'm going to tell you in just one moment.

If we turn around and we say that we're competitive with the US, where we're competing for jobs, and we drop the marginal effective rate from 32% to 18%, what Dr. Mintz was saying is that will attract some \$47 billion worth of more investment into this province, resulting in some 591,000 more jobs.

What kind of jobs are created? New money in the 21st century creates new jobs, 21st-century jobs. They're not investments that go into the old economy.

For example, even a company like GE Canada in Peterborough, which was created in 1892, a company that was started by Thomas Edison, is now landing the biggest contract in their history with which market? The People's Republic of China—because they're doing advanced technology, the largest motors in the world.

Those are the types of jobs we get—

**0950**

**Ms. Lisa MacLeod:** You're talking about Mintz, but the reality with the Mintz report is that it, I assume, would have come out long after your government decided to undertake harmonization of the sales taxes. So can you be very specific: What economic model did your government use when deciding it was going to move forward with the harmonized sales tax, with your so-called comprehensive tax plan? I would like to know that. Is it possible to provide me with that?

**Hon. John Wilkinson:** What I can do is tell you that my ministry is not responsible for the modelling; that goes to the Minister of Finance. I know he'll be attending this committee next, and I would not presume to answer any question on behalf of a colleague, but under our parliamentary system, I'll deal with questions that are relevant to my ministry.

**Ms. Lisa MacLeod:** Okay. I appreciate that.

I guess the question I started with, with the Mintz report and economic modelling—the government tends to use the number 600,000 jobs in 10 years quite frequently. I want to probe that a little bit, because I think it speaks to the legitimacy of that claim. That's why I think we need to be specific.

Given the fact that the government has continually promised jobs—in the 2009 budget, your government said you would create 146,000 jobs, but in the end Ontario lost 143,000 jobs—I guess the next set of questions I'm going to ask pertains to that claim. Did that claim come from the government first, or after the HST was already decided on by the government and the Mintz report was commissioned by the government?

**Hon. John Wilkinson:** I can tell you that there isn't an economy in the western world that had a budget before the recession that wasn't changed by the reality of the global recession. I'm not the Minister of Finance, so I'm not exactly sure of the nature of your question. What I can tell you is that the Minister of Finance did the right thing. When the assumptions he used in previous budgets were found to be wanting because of the global recession, he immediately got back into the House and reported that to the good people of Ontario and kept them advised of what that meant to government revenues and government expenditures.

Of course, part of that is the fact that we entered into a very strong partnership with the federal government. There was agreement around the western world about the need for governments to borrow money in the short term to stimulate the economy to give the private sector some time to recover. The good news we have now is that it looks like Ontario is leading Canada, and Canada is leading the world, in economic recovery. I think the fact



that the federal government and provincial governments, including our own, set aside any kind of partisan differences or differences on other issues and decided to work together has left Canada in relatively good shape, but we do need to make sure we have a fiscal base that can support the public services people rely on.

**Ms. Lisa MacLeod:** Minister, I appreciate your answer, but I don't think it answered my questions. Six hundred thousand jobs over 10 years is 60,000 jobs a year. I guess the question I have is, is the government committing here and now that 60,000 new jobs will be created by July 1, 2011?

**Hon. John Wilkinson:** What we're saying is what we've always said: There are independent economists—and I would think that Dr. Jack Mintz would be considered the leading expert in this country when it comes to the relationship between taxation, investment and jobs. I don't think anybody has—

**Ms. Lisa MacLeod:** But can you confirm 600,000 jobs, or is it just a nice number to use from a third party but that you cannot confirm? I guess what I'm getting at is that you're using a big number, 600,000 jobs—I've been to information sessions with your colleagues who have used this number—and each and every time those who have attended these are stunned by this number because there are no specifics given.

Given what this commitment means—if you are to say 600,000 new jobs legitimately, it means 60,000 jobs need to be created a year—we need to know if you are committing to 60,000 new jobs by July 1, 2011, we need to know where those jobs will be created, we need to know what sector they will be created in, we need to know how much money, in terms of salary and wages, these people will be getting. Will they replace the 289,000 manufacturing jobs that have been lost since your government has taken office? Will they be full-time? Will they be part-time jobs? Will these jobs come with pensions? Will they come with benefits?

There's a series of questions here that just throwing out a big number of 600,000 jobs after you've not made the commitment of 146,000 new jobs in the 2009 budget—in fact, the province lost 143,000 jobs. The question from Ontarians is this: Does this 600,000 number stand up? Where will the jobs be? What sector will they be in? Will they be well-paying jobs? Will they be in Ottawa? Will they be in the north? Will they be in southwestern Ontario?

Minister, the question is, are you just using a number for show in the House or are these legitimate numbers? If these are legitimate numbers, you should be able to answer my questions.

**Hon. John Wilkinson:** Actually, that's a very long question that kind of assumes that somehow the government itself around here is not a proponent of the free market in the western world, but that somehow the government itself is hiring these people. What we have done is said that leading economists have had an opportunity to take a look at that.

Given the level of rhetoric, particularly from the opposition who have said quite clearly, "We don't like

your plan, but we don't have one"—if you'd like to share with us your plan to create 600,000 jobs over the next 10 years, I'd be all ears.

**Ms. Lisa MacLeod:** Minister, you're not answering my question. Are you creating 600,000 jobs? Is this a theoretical number? Is it an actual number? And if you're saying that the free market should decide, why are you hiding behind pretend numbers? If we are to look at what has happened in the last little while, yes, indeed, it is the public sector that has ballooned; it hasn't been the private sector.

I've asked some very serious questions. I've asked some very direct questions. I've asked some very specific questions that deserve specific answers.

The 600,000 jobs: Where will they be, will they be well paid, will they have pensions, will they have benefits, what sector? Minister, can you answer those questions, yes or no?

**Hon. John Wilkinson:** Well, you ask me every question one question at a time, and I'll answer it. Go right ahead. Ask me again, just so that we don't have a run-on, because I think you wanted short answers.

**Ms. Lisa MacLeod:** Okay. When will the first 60,000 jobs be created?

**Hon. John Wilkinson:** The good news is that, according to what we've read today in the paper, most of them have already been created.

**Ms. Lisa MacLeod:** Without this taken into effect. Okay. Where will the—

**Hon. John Wilkinson:** No, no. This actually is having an effect. We have signalled to the business community that this is the right place to invest. It's not just Telus, Tim Hortons and GE Canada that are making investments today.

**Ms. Lisa MacLeod:** Minister, you also know that Canada's Economic Action Plan was the largest stimulus investment in this nation's history. It came from the federal government, and Ontario is the largest province. So I don't think you can take complete and utter—

**Hon. John Wilkinson:** As I've said, we've set aside partisan differences and partnered with the Harper government, because that's exactly what people expected us to do.

**Ms. Lisa MacLeod:** Where will these 60,000 jobs be created, each and every year for the next 10 years?

**Hon. John Wilkinson:** According to Dr. Mintz, who has done the work, the type of investments that we have are 21st-century investments.

**Ms. Lisa MacLeod:** What does that mean? What are the jobs of the future and 21st-century investments?

**Hon. John Wilkinson:** They're exactly the kind of jobs that Telus is providing with a \$300-million investment every year in telecommunications. They're exactly the kind of advanced manufacturing jobs that we see at GE Canada, where they're making the largest motors in the world—the most technologically advanced motors in the world—

**Ms. Lisa MacLeod:** Okay, that's great—a lot of words that don't mean a lot.

If I were an 18-year-old going to university—

**Hon. John Wilkinson:** I'll try to keep my answers even with smaller syllables.

**Ms. Lisa MacLeod:** No, let's just talk to the normal Ontarian who's watching this.

If I'm 18 years old and I'm going to university, what does "the job of the future" mean? Give it to me in a job title.

**Hon. John Wilkinson:** It's exactly why they're going to university—because the vast majority of jobs that our children are going to have today haven't even been invented.

You know, Ms. MacLeod, I used—

**Ms. Lisa MacLeod:** So the 600,000 jobs you're talking about haven't been invented yet? Is that what you're saying?

**Hon. John Wilkinson:** Well, hopefully you're aware of the innovative economy in the 21st century and that, yes, when we look at, for example, the jobs that are coming from clean energy and from the Water Opportunities Act, that's where the puck is going, as Walt used to say to Wayne.

It is important for government to set the condition that allows us to thrive in those jobs, the jobs that we want for our children. I think that's something that we would agree—the idea that, as a parent, I wouldn't want my child to have a job in the 20th century when they're living in the 21st century. I want them to have those types of jobs.

**Ms. Lisa MacLeod:** So you don't really know what the job is. You're just saying that there are going to be 600,000 of those created.

**Hon. John Wilkinson:** The economy creates jobs all the time. The question—

**Ms. Lisa MacLeod:** So we've got some scientist in the back creating the jobs for all the people in the Ontario.

**Hon. John Wilkinson:** I'm surprised that the member from Nepean would make that statement. I'm really surprised that a member from Kanata would actually say that.

**Ms. Lisa MacLeod:** Actually, I'm not from Kanata. That's the member from Carleton-Mississippi Mills. I'm surprised that minister doesn't know that.

The reality is, Minister, that you're using a huge number, pretending to Ontario taxpayers that there are going to be jobs when you don't know—you don't know. If you could identify where these 600,000 jobs are coming from, where they are going, in what sector, how much the people of Ontario are going to be paid, then that would be a proper answer, sir. But you can't give me that. You're telling me that the jobs of the future are going to be invented.

1000

**Ms. Lisa MacLeod:** I'm all for the innovative economy; that's a wonderful thing. It's great to nurture it, and it's great to see where it goes. But the reality is, you're using a claim as if every kid in town is going to be able to go to university and come out in four years without a

student loan, and they're going to get a job, whether that's at an automobile manufacturing plant, whether that's in high tech or whether that's in their own little corner store in their community. But you can't do that.

**Hon. John Wilkinson:** What I can tell you is, we've had a very good example of what happens when the global economy turns down on our export-driven economy. That affects everybody. The fact that some quarter of a million people lost their jobs through no fault of their own because of this global recession means that governments, I don't think, are doing the right thing by pretending that what they need to do is keep with their 20th-century policies when we have to compete in the 21st century. That's exactly why we've decided to do tax reform.

A lot of it has to do with the fact that leadership was shown by both the federal and provincial governments to do something they hadn't agreed on in practice. Maybe they agreed in principle that it was the right thing to do, but it was very difficult and there were a lot of practical questions. It took leadership to get beyond that. It took leadership for our government to deal with a government that we knew quite well, actually, and decide that you can't have a strong Canada without a strong Ontario.

I'm delighted that now, on June 1, 2010, Ontario is leading the country in economic recovery and Canada is leading the world in economic recovery. That's not because the government is making that happen by itself; it's because it's playing its appropriate role, ensuring that we have a tax system that allows our companies to be even more competitive. I am confident, as someone who comes from business, that if we improve the business climate, businesses will actually do the work that is required.

Again, what I want for my children is not some job that has a very short shelf life. I want my children to have the knowledge required to compete and win in the knowledge-based economy. That's why we're spending so much money on retraining. That's why we're spending so much money on education.

**Ms. Lisa MacLeod:** Minister, we just have three minutes left. I'll leave you with one question, and then you can respond. I do appreciate the tussle today, and I appreciate your coming in and being as frank as you possibly can.

The reality is that Ontario, in the last number of years, has lagged in economic growth. We used to be first, and then we became worse.

**Hon. John Wilkinson:** Now we're first again.

**Ms. Lisa MacLeod:** Well, that remains to be seen—I guess we have to get out that crystal ball, based on your policies.

**Hon. John Wilkinson:** Well, I'm an optimist.

**Ms. Lisa MacLeod:** The final question I have for you in this round is, who paid for the Jack Mintz report that you cite?

**Hon. John Wilkinson:** The Ministry of Finance.

**Ms. Lisa MacLeod:** Okay. Thank you.



**The Chair (Mr. Garfield Dunlop):** No other questions?

**Ms. Lisa MacLeod:** No. Thanks again for coming.

**The Chair (Mr. Garfield Dunlop):** We'll now go to the third party. We've got a vote coming up in 20 minutes. We'll try to get about 15 minutes in here. Is that okay, Mr. Tabuns?

**Mr. Peter Tabuns:** That's fine. We're going to be here a long time.

**The Chair (Mr. Garfield Dunlop):** Okay, go ahead.

**Mr. Peter Tabuns:** Good morning, Minister. It's good to see you.

**Hon. John Wilkinson:** Good morning, Mr. Tabuns.

**Mr. Peter Tabuns:** I have a line of questioning that goes in a different direction. But I just want to say that Ms. MacLeod raised some substantial questions. Rather than go over that ground again, when we come back it would be useful for the committee to know how you break down those 600,000 jobs. If they're jobs of the future, how many are in renewable energy, how many in IT, how many in water, how many in retail, how many in construction, so that we have some understanding of how the HST will reshape the economy strategically to give us those jobs?

**Hon. John Wilkinson:** Just so we're clear, we have always been clear that we are quoting a report by Dr. Mintz. If it would be helpful, we can print that report; I know it's on my website. We can make sure that all the members have that and may find that very informative, if that would be of assistance.

**Mr. Peter Tabuns:** Does he break down the sectors where the jobs will be created?

**Hon. John Wilkinson:** Actually, Dr. Mintz is very clear. You can also see, from our budget documents in 2009, particularly which sectors of the economy benefit most. For example, there are substantial savings in construction on one hand, but there are also substantial savings in high tech in regard to information technology and communication companies.

Again, it's by the nature of how we're charging the tax which ones suffer the most from having embedded price increases because of the retail sales tax, which of course we're getting rid of on July 1. They, of course, would receive the largest benefit. That was highlighted in the 2009 budget.

Then, Dr. Mintz was hired by the government as the leading expert in Canada in regard to the relationship between taxation, jobs and the economy. Of course, an economist predicts, using their best information, what will happen. What actually happens is up to the economy. It can be influenced by the government, but it's the private sector, not the public sector, that creates the vast majority of wealth.

**Mr. Peter Tabuns:** If you could table in this committee this afternoon whatever table or chart Mr. Mintz produced showing in which sectors we would see job growth, that would be very useful.

**Hon. John Wilkinson:** Yes. Because it leads—I think just for greater clarity—to why there would be 591,000

new jobs. It's because, as he clearly says, of \$47 billion more of investment. Why would there be \$47 billion more of investment? He makes the case quite strongly about the relationship between where our levels of taxation are and the type of tax we have versus, particularly, the Americans. Of course, you have to remember that in the United States, they don't have a GST. They don't have a value-added tax. As a matter of fact, they have the equivalent of our retail sales tax at the federal, state and municipal levels. All those taxes tax taxes, which is very, very inefficient.

His comments had to do with what happens when you say to businesses that have to make a decision between Ontario or Ohio, "We'll tax you, but we just won't tax the same value more than once." That's what modern economies do.

**Mr. Peter Tabuns:** It's an interesting argument. I'd still like to see a chart showing where job creation will in fact occur.

**Hon. John Wilkinson:** Sure.

**Mr. Peter Tabuns:** Going back to the direction I want to go in, the HST involves a tax increase on consumers and a tax decrease for businesses in the form of removal of the sales tax on business inputs. Do you agree that the HST could therefore be characterized as a tax shift from businesses to consumers?

**Hon. John Wilkinson:** I would agree that broadly, yes, but the reason that governments have not been able to go forward is that they didn't understand—which I think we have come to the conclusion about—how one also has to reform personal income tax. That is something that started on January 1 and will continue on July 1.

When you look at tax reform, you have to look at not just the HST but also the fact that we are eliminating three taxes, decreasing three taxes, increasing three tax credits and providing three transition cheques. That dozen items plus going from a retail sales tax to one value-added tax is part of overarching tax reform, which is actually costing the government some money in the short term. It's not increasing revenues to the government overall, but it's improving the economic condition that allows the private sector to create jobs.

**Mr. Peter Tabuns:** The question of whether there's an increase in government revenue or not is not the question I'm pursuing, but at this point, tax—

**Hon. John Wilkinson:** You have to take into account that consumers today are paying a hidden tax in regard to the retail sales tax. That's embedded, some \$4.5 billion.

**Mr. Peter Tabuns:** If you'll just let me finish, though.

**Hon. John Wilkinson:** Sure.

**Mr. Peter Tabuns:** There will be a reduction in taxes paid by businesses, and an increase in taxes paid by consumers based on the HST itself.

**Hon. John Wilkinson:** The HST, for 17% of items, is an increase in sales tax, and one also has to take a look at personal income tax and how people will benefit under tax reform. We've been very clear that although 83% of

things will see no change in the rate of tax, 17% of things will.

**Mr. Peter Tabuns:** In the budget, your government says there will be about \$2 billion net revenue from the HST. That figure includes the amount raised from consumers from higher sales taxes less the amount spent on removing the sales tax on business inputs. Do you agree the total amount raised from consumers will be more than \$2 billion?

**Hon. John Wilkinson:** Well, no. The same consumer is the one who is also receiving personal income tax cuts. It's the same people; it's the same wallet. What we've tried to outline is the nature of this tax reform, which has so many components.

**Mr. Peter Tabuns:** Let's go back to the HST part of it. If the sales tax input is removed from businesses, then you're going to make up the revenue on the other side of the ledger.

**Hon. John Wilkinson:** We have a broader tax base. That's the nature of the HST: It broadens the tax bases to energy and to services.

1010

**Mr. Peter Tabuns:** That's right. So the total amount of tax that people would be paying in sales tax will be increasing.

**Hon. John Wilkinson:** Yes. When it comes to sales tax, yes; when it comes to income it's down. So sales tax up, income tax down, and then as I've said and why so many—I think two million people have gone to our website now at [ontario.ca/taxchange](http://ontario.ca/taxchange). What does it mean to a person, to their family and their business? We've tried to outline the information they need.

You know, Mr. Tabuns, a good example is that two people with exactly the same income and the same set of circumstances would pay exactly the same amount of income tax. But when you're dealing with consumption tax, two people with the same income can have vastly different patterns of consumption. Some people are spendthrifts and some people are misers. That's just the nature of it. The impact really is personal for 13 million people. So what we've needed to do and what we've tried to do as a government and what my ministry has tried to do is help people see that information. For example, I think the most-accessed page on our website today is an item that is "what's changing and what's not?" That's the kind of information people need to know.

There's been a lot of, I would say, misinformation out there—not put out by the government but by those who are opposed to this—about things that somehow are going to be taxed on July 1. If people who read that think that's the gospel truth and then apply it to their budgets, they would be shocked. I think the work of the Canadian Centre for Policy Alternatives has concluded that the people with the least are actually a bit ahead; for the middle-class, it's kind of a wash—sales tax on the one hand, income tax on the other. For people who consume the most, generally the people who make the most money, there's a bit more. Overall, what we're trying to do is not raise more money, but actually make Ontario

more competitive, because we're competing with the world now for jobs. And when the world turns down, it's quite apparent what that means to our ability to fund public services.

You can't have high unemployment and high-quality public services; they don't go together. It's just the fiscal reality. So what are we doing to make sure the rate of unemployment comes down—not so that people are paying more taxes, just so there are more people paying taxes? The biggest component of our revenue shortfall because of our recession is the fact that so many people lost their jobs. Then I think the government responded correctly in the sense that we ramped up what we were doing in regard to retraining, also making sure that we're safeguarding our public services, and then understanding that the tax system we have actually isn't the one we need in the 21st century.

It's a difficult decision, but again, I don't hear anybody saying that we should actually keep the two-tax system we have today. We should take that step and move to the one value-added tax, which is used in about 140 other countries around the world and something I don't think the Americans can do. I think that will give us a structural competitive advantage for quite some time.

**Mr. Peter Tabuns:** Going back, excluding the cost of eliminating the tax on sales tax inputs, what's the total amount that will be raised from consumers?

**Hon. John Wilkinson:** Again, you'd have to ask the Ministry of Finance, because that's in their budget numbers.

**Mr. Peter Tabuns:** But you're collecting it.

**Hon. John Wilkinson:** No, I haven't yet. As the Minister of Revenue, I can always answer questions about what I have collected, but in regard to what is the tax policy of Ontario and who pays in what percentage, that is something done by the Ministry of Finance, because they put out a budget and say what those numbers are. The Minister of Finance is coming in after me. He'd be more than happy to answer that.

I think I have some kind of a detailed breakdown about revenues minus tax expenditures, if that can be helpful.

**Mr. Peter Tabuns:** I just find it very strange that as Minister of Revenue you wouldn't know what your target is to raise revenue in the coming year. Surely you have a target.

**Hon. John Wilkinson:** Just remember, on July 1, it's the federal government that collects the HST, not the provincial government. Again, the Minister of Finance has been very active on the file, looking at that whole tax change measure. I think we've published that information, his estimates of what it means to revenue, both HST and income tax cuts. I think the embedded sales tax is some \$4.5 billion or maybe \$4.6 billion a year. That is, under the system that we're getting rid of, the tax on tax that's embedded in the system.

I'll give you an example. When you buy a new house today, there's no PST, but there is in a sense because the builder had to pay PST on all the things they purchased



to build the house. That's just buried in the price. So even though there's no PST today, it's actually there, and that's a good example of how that cost is actually in the price.

Then, of course, economists have opined about how fast that pass-through happens in a free market economy.

**Mr. Peter Tabuns:** So you're telling me, as Minister of Revenue, that if the Harper government sent you \$1 next year and said, "Well, this is the increased revenue," you would not complain? You'd say, "Well, you're collecting it. I don't know how much you're going to give me."

**Hon. John Wilkinson:** No, actually, my ministry—and we do this in regard to the other taxes that are collected on behalf of Ontario by the government of Canada—has a division that keeps track of all of that.

**Mr. Peter Tabuns:** I would have thought so. So how much do you expect to collect?

**Hon. John Wilkinson:** The HST is the GST tax base minus our exemptions. Right now, that's 5% and it's going to be 13%. So I think our people have an ability to kind of sort that out. And, of course, that information is also publicly available.

**Mr. Peter Tabuns:** So why don't you just tell me what it is?

**Hon. John Wilkinson:** I'll turn to my assistant deputy minister, who is going to help me out right here—

**Mr. Peter Tabuns:** I would be very happy to have your assistant deputy minister speak to that.

**Hon. John Wilkinson:** —chapter and verse, Mr. Tabuns.

In this fiscal year, because it's coming in in part of the fiscal year, the conversion of the RST base to the HST base is \$1.2 billion; for the first full year it's just a hair over \$2 billion. Then, what you back out against that are our personal income tax cuts for \$1.2 billion, Ontario sales tax credit of \$860 million, \$530 million in Ontario energy and property taxes, and that's not taking into account the federal money that we've secured, which is an in and an out, but next year would be some \$1.4 billion.

As well, you have our corporate tax measures in regard to cutting the corporate rate, cutting the small business rate, eliminating the surtax. The small business transition, again, is an in and out; that's federal money coming in and then going back out to businesses and consumers.

We're looking at page 158 of the 2010 Ontario budget, which should be the latest numbers available from the Ministry of Finance. It shows a total cost of some \$2.7 billion. So that's our reduction in revenue.

**The Chair (Mr. Garfield Dunlop):** Minister, that bring us right up to about the 15-minute mark here for the NDP, so we can get ready now. I think we'll recess at this point until this afternoon, beginning with your next 15 minutes.

**Mr. Peter Tabuns:** At 3:45?

**The Chair (Mr. Garfield Dunlop):** Right after routine proceedings. We're recessed.

*The committee recessed from 1015 to 1606.*

**The Chair (Mr. Garfield Dunlop):** We'll reconvene the meeting, everyone. We have six hours and 15 minutes remaining. We thank the minister for being here once again, and all the staff from the Ministry of Revenue.

We left off with the third party. You have 15 minutes remaining in your opening 30 minutes, Mr. Tabuns—

**Hon. John Wilkinson:** Mr. Chair, just a point of indulgence.

**Mr. Peter Tabuns:** If you'd like, Minister, go ahead.

**Hon. John Wilkinson:** Just one moment to say that I'm delighted that we're joined by my deputy minister, Carol Layton, who's with us this afternoon. I just wanted to make sure that she was introduced to everybody in the committee.

**The Chair (Mr. Garfield Dunlop):** Welcome, Deputy.

**Mr. Peter Tabuns:** Good afternoon. Minister, I asked you in the morning if you could present a table showing the jobs that will be created. Do you have that table?

**Hon. John Wilkinson:** What I've done, Mr. Tabuns, is I've actually provided for all the committee members the Mintz report. What I think we'd find informative—and I kind of mentioned that—is that those subsections of the economy that see the greatest drop in their marginal effective tax rate are the ones that would receive the most benefit, according to Dr. Mintz.

So we look at that, and—I think you've got it; right here. For example, when we've mentioned, and I think you've heard us say, that the marginal effective tax rate—and I'm on page 6, figure 3, to the right-hand column, the aggregate for Ontario. When we look at an aggregate, today the marginal effective tax rate on new investment is 33.6%, which is—how many pennies of a dollar does a company have to set aside for taxes all-in? That will drop on July 1 to 23.7%. When our full corporate income tax reductions are in, in 2013, that will be 19.4%. By 2018, when we have removed all restricted input tax credits on large business, that will drop it to 18.5%.

But I draw your attention—if we look at something like construction, the fourth over, you'll see that the marginal effective rate is 42.2%, dropping on July 1 to 26%; another dramatic drop on wholesale trade from 37% to 25%; retail, from 36% down to 25%. Particularly communications is the other one I've mentioned. At 44.5%, the communications sector, which includes information technology—the IT sector—we actually have a very high marginal effective tax rate on that. It's because companies purchase software to actually be able to work. All of that software has the PST, and that PST cost has to be embedded in their price when they're doing work. So there's a true cumulative effect on all of that software PST getting into the cost of business. That's one of the reasons why there's such a dramatic reduction, down to 24.9%, and they'll continue.

I'd also turn your attention particularly to the province-by-province—

*Interjection.*

**Hon. John Wilkinson:** I'm just going to be right with you here, because I think you'll find this also informative.

If we flip back to page 4, figure number 1, what we're looking at is province by province. As you know, some provinces have the HST or the equivalent, and some do not.

When you look at Prince Edward Island, which does not have the HST and will continue not to have the HST, they have a very high marginal effective tax rate. You'll see it much lower in Newfoundland, Nova Scotia and New Brunswick. As well, in Quebec, they have the QST, which is basically the GST. It's identical, but it's actually administered by the province of Quebec. Then for Ontario, you see the drop from 33.6% down to 23.7% immediately when the HST is brought in. Manitoba is still high and Saskatchewan is still high. Alberta is high. They don't have a sales tax over there, but they actually have quite high corporate rates instead of that. Then, of course, for BC, you're going to see a drop.

Then particularly back to the argument I made, that you can't have a strong Canada without a strong Ontario: When BC and Ontario, two of the major provinces, go ahead, it means that Canada's marginal effective rate drops from 28% to just a hair under 23%, on its way down to about 19%.

Dr. Mintz's contention and his opinion—his work being peer-reviewed by three other economists—is that a dramatic shift like that is one that will impact investment decisions vis-à-vis investments that we compete against, particularly against Great Lakes states. Today, that 33% that we were talking about is very competitive with Ohio, Michigan, Minnesota, New York and those US states that we compete with every day for jobs. Of course, they do not have a value-added tax at the federal level like we do; they still have the old manufacturers' sales tax. All the states have a retail sales tax. Even municipalities have retail sales taxes.

We're not going to get jobs in the future because our dollar is cheaper than theirs, and we're not going to have—one, I don't think we'd be wise to predicate it on having cheaper energy than the Americans. But we can put in a structural competitive advantage that makes Ontario a place where we have universal health care; wonderful publicly funded universities, schools and colleges; a very competitive rate; and a system where inputs are not taxed more than once. They may be taxed more than once, but because of the credit system, you're never taxing the same value more than once.

I was the Minister of Research and Innovation the last time I appeared before this committee. One of the things we talked about is that we had yet to bell the cat around that whole piece of taxation around innovation. We had, for example, in our digital IT sector a particularly high marginal effective tax rate because we were having kind of a hidden tax on software. Everybody who had to buy software to create something in the digital age was paying PST, and there was no way for that to come back. So we've levelled that a bit to actually give those sectors—construction, again, is another one where there is, as I mentioned, a dramatic drop.

**Mr. Peter Tabuns:** I had a chance to look at these charts before, and I thought there might be some other

documentation that you had. There's an assumption on the part of Mr. Mintz that these tax cuts for business will result in hirings rather than investment in capital, and there's an assumption that it will generate jobs at an extraordinary rate.

**Hon. John Wilkinson:** Well, I am delighted—it was just announced today—that Ontario had one of the strongest quarterly growths in some 11 years, as did Canada.

Businesses, I think, are going to be faced with one of two decisions. One is around price, but another one is around purchases. For example, in Atlantic Canada—and there's a study that was done that we reference on our website—the investment in modern machinery and equipment, which would be designed to be more productive, increased 12% above the national average the year after the Atlantic provinces brought in the HST, so above the mean.

Again, if a company is improving their productivity, they do that to gain market share, which, as a result, reinforces the need to hire more people, because they're actually landing contracts. They land the contract because they're providing the best value and the best price by lowering the cost of business and taking out this disincentive to improve productivity.

I think of the Rotman School. I'm thinking of the dean, who I know—

**Ms. Carol Layton:** Roger Martin.

**Hon. John Wilkinson:** Roger Martin, whose family is actually from just outside of my riding in Wallenstein. He and many others have been talking about the need for Canada and Ontario to focus on those structural things that we need to do to improve productivity. That allows us to compete on the global market, not going to the lowest common denominator.

I'm not saying that we're going to compete against the People's Republic of China for making brooms, but instead that we're going to win a contract like we just did at GE Canada to make the largest motors in the world to supply what is becoming the largest market in the world.

I was able, when I went to GE Canada, to see the amazing robotic technology that they have been able to use to make these motors that are—I mean, you can stand inside of one. You and I could both stand inside of one and there'd be plenty of room above us. It's quite remarkable.

It's taking out that disincentive, because that retail sales tax cost is embedded every time something changes hands. There's no mechanism—I've said many times that when someone pays the GST and pays it to Jim Flaherty, they charge the GST and send it to the federal government minus the GST that they've paid. But when it comes to the PST, the business charges the PST, and I, as the Minister of Revenue, give them no credit for all the PST they've already paid.

In the House, I used the example of a new home: Even though there's no PST on that transaction, building a new home, that cost is embedded in the price, because the builder had to pay PST. So that's what you see in



construction, why you see the marginal effect of tax rate coming down.

What businesses are going to do, and what they've done everywhere else is: You make them more competitive, they land more contracts, and they invest in themselves in regard to productivity. That's what 140 countries around the world have done, along with our sister provinces. Again, we've said that if we're going to get 21st-century jobs, then we've got to make sure that we reform our tax system.

**Mr. Peter Tabuns:** I appreciate the presentation and I appreciate the copy of the report. Mr. Mintz makes an argument for job creation based on tax cuts, but in contrast to your remarks earlier today, he doesn't talk about 21st-century jobs. There is no breakdown of job creation by sector. There's a hope, there's a projection, there's a hypothesis, but to say that this tax cut will generate 21st-century jobs is a big leap from the documents that are before us.

**Hon. John Wilkinson:** Well, Mr. Tabuns, Dr. Mintz is very clear that what he believes drives the jobs are the investments. I can tell you that in the 21st century, companies which would invest \$47 billion more in Ontario will not invest in the old economy; they'll invest in the new economy, as I was mentioning to Ms. MacLeod. The reality is that the workplace is constantly changing because of innovation. Many of the jobs that are available today didn't exist when you and I were children, and that rate of change is accelerating. It's why I think we all agree around the House how important it is to educate our children and give them the best opportunity, particularly with post-secondary, because that is the nature of the types of jobs we want for our children. Because they cannot compete based on low wages, they have to compete on adding value through innovation, through knowledge.

Even a company started by Thomas Edison that's been in this province since 1892 and invested \$100 million in our province did not do so to create a product that's been around in the last century. They're creating products that meet the demands of the 21st century, and in a marketplace around the world where they are actually selling to China. We buy a lot from the People's Republic of China, and I just think that it's best for us to have jobs where we're adding value through high technology, through innovation, and giving those companies the ability not to have a disincentive to invest in their productivity and innovation. That's how they landed that contract.

**Mr. Peter Tabuns:** I appreciate the argument. I still think it's a huge leap of faith to assume that that, in fact, will be the outcome. However—

**Hon. John Wilkinson:** And the alternative is to do nothing, so we've decided that there's something that we need to do.

**Mr. Peter Tabuns:** Well, in fact, I think there are a variety of alternatives, but today it's your turn to answer questions.

**Hon. John Wilkinson:** Sure.

**Mr. Peter Tabuns:** Going back, the cost of eliminating the sales tax inputs: When I look at your numbers,

you said earlier today that there would be a \$5.3-billion reduction in business inputs from the HST. You show a net figure here for HST when fully deployed at \$2.1 billion. So I assume that consumers will be picking up the \$5.3 billion that businesses won't be putting forward. So it would be an overall—

**The Chair (Mr. Garfield Dunlop):** Two minutes remaining in this round.

**Hon. John Wilkinson:** As I've mentioned, consumers have but one wallet, and what we've asked them to do is take a look at the impact of an increase in regard to sales tax on 17% of their purchases—that's a consumption tax, which is what PST or GST is—versus what we're doing with the money, which is dramatically reducing income taxes, both for people in business. All in, over the next three years, there will be \$11.8 billion worth of personal income tax relief and \$4.6 billion of corporate tax relief as well. It really is a fundamental reform of our tax system.

As I've mentioned, let alone that we're changing one tax in regard to sales tax, we are reducing three taxes: the personal income tax rate, the small business rate and the corporate tax rate. We're increasing three tax credits because we're increasing the property tax grant, we're increasing the seniors' property tax grant, which is at a higher level still, and as well we're creating the new Ontario sales tax benefit, which will be on top of the GST rebate.

1620

We're eliminating three taxes: We're eliminating the retail sales tax but as well we're eliminating the small business surtax and we're eliminating the capital tax. All of those things have to be taken into account. Those are all permanent measures. Then, as well, we have the transitional money that we secured from the federal government, which will be paid out to people over the next 13 months. It's part of an overall package.

We've always said that it's important for people to understand how that impacts them, their family and their business. You can't just look at one thing; you need to look at the bigger picture.

**The Chair (Mr. Garfield Dunlop):** That pretty well cleans up that round.

We'll now go to the ministry. You now have up to 30 minutes to respond to any comments.

**Hon. John Wilkinson:** I just wanted to share with the committee that it was about a year ago that the Premier asked me to come over and visit him and asked whether or not I would—

**Ms. Lisa MacLeod:** Happy anniversary.

**Hon. John Wilkinson:** Thank you, I say to the member.

He asked me to be Ontario's Minister of Revenue. It's a very simple job: It is to implement and communicate the largest tax reform in this province in well over 40 years. I'm ably assisted by my deputy, who is very young but also very experienced. I am blessed to lead a ministry with so many people with a depth of experience. When you ask any organization to transform itself, that is not

easy, and so I have always been impressed with the leadership of my ministry.

Despite all the changes that will impact my ministry people and their own personal lives—every day our ministry collects about \$100 million. We spend more than \$100 million a day just on health care, but our ministry collects over \$100 million a day, and I want to say publicly to my ministry that their professionalism through this great change has been something that I think all of us in the Legislature can be very proud of.

I've had an opportunity to be in Fort Frances, which I learned is across from Minnesota and in a different time zone, down to Leamington, over to Cornwall and up north, and everywhere in between, and I've had an opportunity, as I mentioned, to speak to many people, but I always start my remarks by asking a pretty simple question. We're coming out of the biggest economic downturn in 80 years, where the entire global economy shrunk at the same time. There are very encouraging signs in regard to our economy, but I ask people, "Do you think the economy is going to go back to the way it was or do you think it's going to be different?" Invariably, people tell me and share with everyone else in the room that they feel the economy is going to be different. So I say to people, "Then what kind of government would we be providing if the people know that the world has changed on us and the government recognizes that it has changed, and our response to that is the status quo; that we will do absolutely nothing?"

I think good, responsible government understands that if the fundamentals of our economy have changed—and they have: a dollar at par, higher energy costs—we have to give our business sector, which creates the wealth in this province, every advantage that we can as a government. We can't create the jobs; the private sector creates the jobs. Those of us in this place do one thing: We redistribute the wealth. We tax people and decide how much the community will put into the common pot, and then we decide how that pot is to be spent, at all times being accountable back to this House. That's what we do. But we need to make sure that we have sufficient employment in this province that we can afford the high-quality public services that are, I would say, a common legacy of all the parties who've had the privilege of governing Ontario, and that really is the question.

People understand that the government, and the government of Ontario particularly, does not control the price of oil, nor does it control the rate of exchange between us and our greatest ally, our greatest market and our greatest competitor, our friends to the south. But there is one thing that we in government actually control, and that is taxation and regulation. That falls to us. The private sector doesn't do that, right? Other levels of government don't do that. That's what we do. So we've looked at that and said, "What can we do in regard to that lever that has been entrusted to us by the public to ensure that there are good jobs not just for today, but for our children and grandchildren?" We've come to the conclusion that the status quo is not acceptable in the new world. I think the

public has understood that as well. We could always have a debate about what the right thing to do is, but I think there's almost unanimity across Ontario that something needed to be done.

For the last 20 years, we have had in this province, as I was mentioning, governments here in Ontario of three different political stripes and governments at the federal level of two different political stripes that have theoretically agreed that just having one sales tax and one government taxing every transaction instead of two governments taxing every transaction—to have one set of rules and to have a modern, value-added tax system like the rest of the world, as opposed to having the two-tax system we have today—would be better for our economy. But we've never had the ability to bridge a gulf that existed between Ottawa and Toronto. And who would have thought that Prime Minister Harper and Premier McGuinty, that Finance Minister Flaherty and Finance Minister Duncan could find common cause? But they did. Why? Because they recognized, as we did, that the world has changed, that you cannot have a strong Canada with a weak Ontario and that we had to have common cause about doing what's right for our economy.

We learned how to generate wealth and create jobs in the 19th century, and we figured out how to do it in the 20th century. It falls to those of us in a position of leadership to figure out what we need to do so that we can prosper in the 21st century, all for the noble goal of saying that our community, coming together by way of taxes, will spend that money for the benefit of the community, so that we can have universal health care, that we can have a wonderful, globally leading education system, all the way from the early years right up to post-doctoral studies.

I think we came to that conclusion. As I said, there was an agreement between Prime Minister Harper and Premier McGuinty that we actually needed to sit down and see if we could work this out, and we were able to reach that historic agreement. We were able to reach that historic agreement last year. It was introduced in our budget in March 2009, and our ministry has been working flat out to make that happen ever since.

I want to tell you about the nature of that tax reform. Yes, we're just going to have one sales tax in Ontario, a value-added tax. As I mentioned, you can't even be a member of the European Union unless you have one national value-added sales tax. You can have a different rate in England than you do in Poland, but it's the same system. And that is the largest market in the world today, the European Union. We need to trade more.

I've always asked people, "Do you think we should rely on the American market more, or do you think we should trade more with the rest of the world?" Instinctively, people tell us, "Americans are always going to be our biggest market, but we should diversify." That's why I was so pleased to see the Premier lead yet another trade mission, which seems to have been very successful for Ontario—all around the world.

It reminds me of the fact that I was in Kingston the other day at a company called Transformix. They really



got on my radar when I was the Minister of Research and Innovation. A bunch of engineers started their company in Kingston in the basement of a couple's home. They were both engineers, and they were joined by two other engineers. They had a novel idea about how to provide an engineering services company. They have tremendous expertise in their area of specialty. I was delighted that we were able to make an investment in that company. But I was back as the Minister of Revenue—they just landed their largest contract ever to Brazil. Brazil is one of those emerging powerhouses in the economy of the 21st century. I believe their sales, as a company, are going to quintuple. It was just amazing.

They have come up with a new technology that allows them to improve the processing of sugar cane for ethanol, which is an alternative to using oil and gas, and I think as we see the tragedy unfolding in the Gulf of Mexico, we understand how important that new, 21st-century clean technology can be. But why is a company in Brazil going to Kingston, Ontario? Because we have the people who can solve a problem that no other set of engineers in the world could solve.

But when I had a chance to go to Transformix—which is very, very supportive of our tax reform and part of what I said to Mr. Tabuns about the need for us to quit having multiple taxes on software, which helps improve the productivity of companies—they showed me the example of a forklift. I can't think of any major manufacturer, or even a small one in Ontario, that doesn't have a forklift.

What I find really fascinating is, when it comes to a forklift, there are actually two different sets of tax laws. When you purchase a forklift, as a business, you pay GST to the federal government. You send in your GST that you've charged your customers minus the GST you paid for the forklift, because you need the forklift for the business. But when it comes to the PST, if the forklift is used to move goods and services in the factory from one part of the production line to another part of the production line, the company can go to our ministry and file for a PST exemption certificate. But if that forklift is used to move things from the truck to the warehouse or the warehouse to the truck, then they have to pay PST. Today, that company has to determine, self assess, how much time that forklift in that factory is being used, whether or not it's being used for production or whether or not it's being used for warehousing. Three years after the fact, people from my ministry come out to that business to determine whether or not they were telling the truth.

1630

It seems to me that it would be better to have one tax system administered by the federal government as a value-added tax that says, "You pay the HST on the forklift, and you get it all back." You get it all back, and it's a very simple system.

That is why 140 other countries around the world have gone to that system. It's why our sister provinces have gone to that system. It's why British Columbia decided,

after we decided to do this, that they needed to go to the system: because that, at the end of the day, is the type of competitive advantage which is structural, in other words, not something that comes and goes with the price of oil or our dollar versus the US dollar. It's a structural advantage that they will have that, today, they do not have.

By doing that, by going to one tax base and by taking the step of broadening that tax base to energy and services so that it is virtually identical to the GST, it now gives us the money to permanently reduce income taxes for people and for business so that the business has more money to spend and invest, and people have more money in their wallets, and they decide how they consume.

Again, I will go through those income tax cuts. For people, for example, we now have, effective January 1 of this year, the lowest personal income tax rate on the first \$37,106 of income of any province in Canada. Why did we lower that rate? The GST, PST, HST—it's a consumption tax. It's something that people can't get away from. It's broad-based. We didn't cut taxes for a few people who make a lot of money and pay tax at the highest level. We reduced taxes by 16% on that first \$37,000 so that it applies as broadly as possible to individuals. That is a measure that cost billions of dollars. We can afford to do that because we've decided to reform our tax system.

Our ability to broaden the property tax credit that so many qualify for with another \$270 million: We can do that because we've decided to have one sales tax. Our ability to double the property sales tax credit for seniors on July 1: We can do that because we've taken the step of having one sales tax. Our ability to have a sales tax rebate provided by the government of Ontario to the people with the least in this province—and I'm thinking of seniors on a fixed income, people on social assistance and middle-class families with a lot of children. They all have one common characteristic: They don't have a lot of disposable income. The type of individuals I've talked about, every blessed cent they have, they spend just to get by.

When the GST was brought in, the GST rebate was brought in to ensure that there is equity in society. What I can tell you is that by bringing in the HST, we now have the ability to provide what we call the HST rebate.

Let me just share with you that the GST rebate today from the federal government, which is paid quarterly, provides up to \$240 for a qualifying adult and \$140 for every qualifying child in that family. That's going to be maintained, but starting in August, there's a new quarterly benefit that, for exactly the same people, will add another \$260 for every adult and child in that family. Again, that costs billions of dollars. Why can we do that? Because we've taken the step of having just one sales tax in the province of Ontario.

I know there are people who say that the best thing we can do is have two sales taxes and not change anything. But we've decided that just having one sales tax, one government, one set of rules, one rate, one set of

auditors, one set of appeals all makes more sense than the system we have today.

Again, that all really flows from the federal and provincial governments setting aside whatever regular differences they have, because at the moment they're different parties and also different levels of government, and deciding to do what is best for Canada, for Ontario and for our families and businesses here in Ontario.

The other thing I like to share when I talk to people is that beyond the fact that businesses will receive input tax credits—so they'll stop paying tax on tax, which is then buried in the price of goods and services—we're also ensuring that we're working with the federal government to make Canada one of the most attractive places in the world for investment.

The history of our country in the modern world has been based on direct foreign investment. Other people around the world are saying, "What a great country. What a great quality of life. What a wonderful, diverse, tolerant place this is compared to other places around the world." It's why people have lined up around the world to get into this country. It's also the reason why money has lined up around the world to get into this country, to have a country with universal health care, to have a country with a wonderful education system.

What we've decided is: What do we need to do to make sure we're competing for that money, because there is investment being made? There's investment being made every day. As I said, we compete for jobs every day with the Great Lakes states that surround us. As we've always said, the Americans are our greatest allies and our greatest market, but they are also our biggest competitors. They compete with us for jobs every day. If we set partisanship aside, I think we would all agree that we'd rather have the jobs on this side of the border. I think that's something we can all agree on. We may disagree on how we get there, but I think we would all agree on having the jobs on this side of the border. Looking at it, it's important for us to recognize the new 21st-century reality we are faced with, look at the things we actually have control of—taxation and regulation—and take whatever steps are required to improve the business climate so that jobs are coming here.

We've been really fortunate. I can't think of a generation of Ontarians who have not been left a standard of living higher than what was enjoyed by their parents or their grandparents. We always have difficult decisions to make. Our parents, our grandparents and their parents all had to make difficult decisions. Ontario and our great quality of life did not arrive out of the blue because people were not willing to make difficult decisions.

So it falls upon us to say, "All right, we figured out how to make money in the 19th century." I think of Thomas Edison's company that landed in Peterborough, Ontario, in 1892. I think about a company that found success in Peterborough in the 20th century. But there's a company that still wants to be successful in the 21st century, landing the biggest contract they have ever been able to earn in the global market, and that is a very competitive market.

People understand that the level of competition has gone up substantially and that we need to take steps to be able to compete in that world. If we don't, then we'll be left behind. I think we'd all agree that a poorly performing economy puts at risk everything we collectively hold dear in this province, like universal health care, our publicly funded school system and our world-class post-secondary system where people from around the world are lining up to get into this province.

I want to share with you another example of an amazing company in Oakville, called Entripty. I said, "What does Entripty stand for?" They said, "We don't know. But it was a cool name, and we figured it would be easy to copyright." It was started by two guys at U of T when they were still in school. What they do is—do you know when you buy golf shirts, hats and that kind of stuff, it's all embroidered? They're a company that started in a basement and have a wonderful facility in Oakville where they have invested in technology and are able to do the design, all based on the Internet. The last time I checked, they had, I think, 25 people. They started in 1999 with two guys in a basement, and now they have 25 people in Oakville with very good jobs—a very nice thing.

**1640**

When we were doing an event there, the press asked Jas Brar, the chap who started the company, "Your costs are going down, according to Minister Wilkinson. How much?"

He goes, "We took a look at it. We think it's \$15,000 to \$20,000 a year to start."

"What are you going to do with that money?"

"We're going to hire more people."

Whether that company gets a contract is up to them; they have to be competitive in the marketplace. But if they get that contract, we need them to hire those people, because people with jobs working for companies that are making money are paying taxes, both the people with the jobs and the company making the money.

When the global economy virtually collapsed, what started it? Really, a bunch of greedy people on Wall Street; it's pretty obvious. But that problem on Wall Street infected the entire world economy. Canada and Ontario, as the financial services capital of Canada, were able to weather that storm.

A quarter of a million people lost their jobs. What that did to the revenue of the province of Ontario was substantial, and we did agree with Prime Minister Harper and the other countries in the G8 and the World Bank about the need in the short term for governments to borrow money to stimulate the economy to give the private sector time to regroup, come back and be strong.

What we see is that, just in the last quarter, Canada was leading the world in economic growth. That's because I think Canadians and Ontarians understand that every so often governments have to make decisions that are forward-looking. What do we need to do to get to where we need to be? In that context, we made the decision last year about tax reform as one of those things. It's part of our Open Ontario plan.



I've also had the advantage of working on a project—I think it was somewhat helpful that I was at the Ministry of Research and Innovation—which was, how do we take something this complicated and communicate that to people so they can understand that? As I mentioned to Mr. Tabuns, there are so many components to this over-arching tax reform, the biggest tax reform in over 40 years.

As I said, my task is to implement and communicate the largest tax reform in over 40 years. We've had the advantage of using the Web, creating a dedicated Web page that I believe has had 2.2 million hits, according to the latest information from my deputy. And the one thing that's quite fascinating is that the page people are going to the most right now is, "What's changing and what's not?"

*Interjections.*

**Hon. John Wilkinson:** I appreciate the fact that maybe some of us around this table have visited that.

We've worked on the challenge of taking something this complex and making sure we can communicate that in plain English and plain French and also in 21 different languages.

**Interjection:** Printed.

**Hon. John Wilkinson:** We have printed material in 21 different languages, so that we can speak to Ontarians, in languages they can understand, the kind of pocketbook issue of taxation when it comes to both the sales tax and income taxes.

I think it's right to say that if we had not been victims of the great recession, as was the whole world, there probably would not have been the political will and leadership shown by both the federal and provincial governments to move forward. It has not been an easy decision for our government, nor was it an easy decision for the federal government. Despite the fact that they have a minority government, they understood that this was important for Canada. I want to thank so many people across the province who have set aside partisan differences and decided that this is something that is important for our country and for our province.

It wasn't that many years ago, actually, that some from the federal government were bemoaning the fact that Ontario was a lousy place to invest. Well, it didn't take too long for the good people of Ontario to kind of feed back to our federal government that talking down the biggest province in our country is not a good thing: "What are you doing to work together?" I think we would all agree that particularly in the depths of the recession, people wanted their leaders to show leadership, and sometimes that requires setting aside partisanship and working together.

I'd just ask the Chairman how much time I have.

**The Chair (Mr. Garfield Dunlop):** Exactly six minutes.

**Hon. John Wilkinson:** That will allow me to wrap up and still have 15 seconds. You're keeping track of that, I know, Mr. Chairman.

**The Chair (Mr. Garfield Dunlop):** Actually, you've got all kinds of spare time left.

**Hon. John Wilkinson:** That's right.

I did want to talk about the fact that I've also had the opportunity to do town hall meetings right across Ontario. I know many members have invited me out to their communities. We have 107 ridings, and it's been difficult to get to all of them. I do want to thank my parliamentary assistants, Bob Delaney and Yasir Naqvi, who are joining us today on the committee, for the work that they've been doing. It has not been an easy thing.

In the modern world, people tend to communicate by tweet—you know, 120 characters or less. We're doing more than tweeting; we're doing more than tweaking; we are actually reforming our tax system. What we found by going to town hall meetings is that people have been very receptive to the idea that the old world is not coming back and that we needed to do something to make sure that we could leave our children a better world.

It's amazing how that concept itself, I think, transforms political considerations. The people have a tremendous thirst for accurate information. What we've tried to do as a government is to provide that source of accurate information that many people who are not part of the government—I think now almost every major bank, business school and economic think tank has now opined on Ontario doing something that people did not think could happen, which is the largest tax reform in over 40 years.

I know that it is a work in progress, and I know that there will be people who will ask me to prognosticate about what's going to happen. What I can tell you is that since we made this announcement, there are about 140,000 more people working in this province because we sent—one of the reasons—a very strong signal that we intended to be competitive in the global economy, in that new economy that regular people in Ontario know that we're going to have to compete for and compete in.

Also, what I've found inspiring is that people have understood that the greatest decisions we've ever made as a society have not been easy. The things that we have done in the past were not easy. The things that our parents and our grandparents are proudest of are the things that, at the time, were sometimes the most controversial.

I'm fortunate, in my opinion, to be a politician in a great province like Ontario and in Canada. I saw the debate around having universal health care or some approximate to that south of the border and the kind of vitriolic debate that happened as a result. I think we can take pride in the fact that, though we may disagree, there is a certain something about Ontarians and Canadians that we understand that occasionally we have to make decisions that are difficult.

I'm heartened that I have not seen any of our opponents, while they're doing their job of opposing us, say that they would go back to the two-tax system.

**Ms. Lisa MacLeod:** On a point of order, Mr. Chair: I don't think this is really relevant. The minister is here today to talk about and defend his estimates. He's not here today to probe the other political parties or other

Ontarians about what they would or would not do if they were forming a government. I think it's wholly inappropriate—

**The Chair (Mr. Garfield Dunlop):** He has some right to do that at this point.

**Hon. John Wilkinson:** Thanks, Mr. Chairman.

**The Chair (Mr. Garfield Dunlop):** You have two minutes left.

**Hon. John Wilkinson:** I have two minutes left, or a minute and 45 seconds.

I would say to people that I've always believed—and I know we all come here for different reasons, and we have our own political philosophies. But at the heart of it, what makes us Canadians and Ontarians is that we believe that together we can do great things. In the past, we have done that. I think we can continue to do that.

I think the fact that we're doing something that is challenging is obvious. It does expose us to criticism, but what I'm encouraged by is that Ontario is leading Canada out of economic recession and that Canada is leading the world out of economic recession. All of this has happened since we introduced tax reform. This has happened since we said to the world, "We are open for business in Ontario. We intend to compete. We will not take a back seat. We will do what's required to make sure that there are good-paying jobs for our children—not 20th-century jobs, 21st-century jobs." That's why we make that investment.

I think that, collectively, all of us in this place, though we may differ from a partisan point of view, can take great comfort that in times of great trial, our leadership is prepared to set aside partisan differences and move forward to build a stronger province and country. Thank you.

**The Chair (Mr. Garfield Dunlop):** Thank you, Minister. I think what we'll do right now is we'll recess and go up for the vote—it's in six minutes. We'll come back here shortly after the vote and we'll start with Ms. MacLeod. She'll start the first 20-minute rotation, okay?

Thank you very much. We will recess and we'll be back here in about 10 minutes.

*The committee recessed from 1650 to 1700.*

**The Chair (Mr. Garfield Dunlop):** We'll reconvene the meeting. Ms. MacLeod.

**Ms. Lisa MacLeod:** It's a real pleasure to be back here. I want to thank the minister again for coming to listen to our questions. I also want to compliment him on his ability to rag the puck for the last 30 minutes. You must be a good hockey player. You certainly have some good skills there.

In the previous round, we talked about the comprehensive tax reform that you're talking about. On many occasions, we hear in the Ontario Legislature and we hear from Liberal members that it is the largest tax cut in Ontario's history. I really don't think you can say that, given that your corporate taxes are 25% more than they were in 2003, small business taxes have increased 12.5% since 2003, and personal middle-income tax, second bracket, is now 3.4% higher. So I don't think you can

legitimately lay claim to this being the largest tax cut in the province's history given this record, given the health tax, and now given the HST. I think that's important to point out.

I'd like to go back to the jobs. I really enjoyed our earlier conversation about that. I think we've discovered an awful lot, and I really appreciated my colleague from the NDP Peter Tabuns looking into that more thoroughly after I was able to raise it. You answered my questions on manufacturing earlier today, on the job losses that we've seen since 2003—close to 300,000 jobs manufacturing jobs that were lost. You compared it to the dirty thirties, and you said this is apples and oranges. What we ended up getting from you was an answer that was really quite a lemon. The reality is, almost 150,000 jobs were lost in Ontario right before the recession started—so another 150,000 were lost. In addition, in the 2009 budget your government put forward a jobs plan that said you would bring 146,000 jobs into the province. Instead, we lost 143,000 jobs. So there is an issue.

You're using this 600,000-job-creation number. You used it again in the Ontario Legislature, in the chamber, during question period, after we left this meeting. You have cited the Mintz report. You have not shared with us what your economic model was to determine the 600,000 jobs, outside of the Mintz report. So a very simple question, and I'm hoping you can give me a very simple answer: Did you consider the job-creation impact before the government of Ontario hired Jack Mintz to come up with this 600,000-job figure; or when you were considering implementing the HST and that other tax package, did you commission an internal study that would consider the impact on jobs, whether that's creation or job loss?

**Hon. John Wilkinson:** That's a great question. What I can tell you is that you're specifically asking me a question about when I wasn't the minister. The Ministry of Finance is responsible for budgeting for the province of Ontario and, of course, all other economic forecasting. I know that the Minister of Finance will be attending this committee after I am done, and I think it would be unparliamentary of me to presume that I could answer a question on behalf of my colleague for a ministry I'm not responsible for and haven't been responsible for and wasn't responsible for when you asked that question.

**Ms. Lisa MacLeod:** So just a quick question then: Have you been given a report? You're using the number of 600,000 as if it came from the government of Ontario. I guess in some ways it did, because you paid several thousand dollars for this report by Jack Mintz.

I guess the question to you, Minister, then becomes—you've been there now for a year—have you seen any government studies from January or February of last year, or even before that, that suggested this is the way the government needs to go? An internal document, whether it's from the Ministry of Finance—have you seen that document and did it have specific job numbers? If you are going to reference that report, will you table it with this committee?



**Hon. John Wilkinson:** I have not seen that. I have seen all of the reports that were subsequent to that. I also had a chance to review the literature of groups that had opined for many years about the need to do this. Again, when it comes to—

**Ms. Lisa MacLeod:** So you've not seen a specific government study that laid the groundwork for the government of Ontario implementing the HST in your comprehensive tax plan?

**Hon. John Wilkinson:** As both the Minister of Research and Innovation and now, as the Minister of Revenue, I'll just tell you I have not seen a report from the government. We have some wonderful people who work for us in regard to economic modelling and they are responsible to the Minister of Finance—

**Ms. Lisa MacLeod:** And they work for the Ministry of Revenue?

**Hon. John Wilkinson:** No, they work for the Ministry of Finance. That's why I was saying that if you have a question about that it would disrespectful of me and my colleague to try to answer a question about a ministry that I don't have responsibility for.

**Ms. Lisa MacLeod:** Before this committee meets next, I would ask you to endeavour to talk to Ministry of Finance officials to table that modelling report, because we are relying on an awful lot on this Jack Mintz report, where you're suggesting there are 600,000 new jobs.

Earlier this morning, you said that many of these jobs hadn't been invented yet. Then you provided us with this Jack Mintz report that says the 600,000 jobs are going to be there. But as my colleague from the NDP points out, there are no job creation numbers there. There are no job creation numbers sector by sector or region by region. There are no job creation numbers that suggest a pay scale or salary. There are no job creation numbers that suggest that these are full-time or part-time jobs. You said it was going to be in the innovation sector; the innovation sector is not mentioned in the Mintz report.

You can't say for sure, you can't say without a doubt that a single job will be created, other than this piece by Jack Mintz, which your government commissioned after you had already made a decision to implement the HST.

I realize that you are the person who's selling the HST and Dwight Duncan is the person responsible, or sort of the architect of this tax plan. But the reality is that many of the answers that we're receiving in question period, or in the public domain through the media, are that you are creating 600,000 jobs.

You did acknowledge earlier today that the government isn't supposed to be in the marketplace, yet the only place that we have seen any growth in job creation in the last three or four years has been basically in the public service. One would say that what's actually happening is that this government has a philosophy to create public service jobs, and that's where we've seen the greatest inflation.

Again, I have not seen any substantive research from the government that actually will tell me or any of my colleagues in this Legislature where those jobs will be

created, who these jobs will be created for. I think it's unfair to say that these jobs have not been invented yet. People in this province deserve the specifics of where those jobs will be located and whether you have any major manufacturing facilities in mind.

I just reiterate the point: You've said 600,000 jobs based on this Mintz report over the next 10 years. I believe you've said that's four manufacturing plants the size of GM. It also means 60,000 jobs per year over the next 10 years. When I asked you earlier today if you could commit to me that by July 1, 2011, we would actually see those 60,000 new jobs, I didn't receive a response. I think that's problematic.

I guess the question now comes down to credibility, because we are not given an economic model. The economic modelling that I've requested and that my colleague Peter Tabuns has requested has not been forthcoming, so we don't have accurate, definitive Ministry of Finance documents or department of revenue documents in front of us to tell us where these jobs are coming from and how they arrived at them.

1710

We've got the Mintz report, which you're relying on, but it does not, again, have a sector-by-sector, region-by-region pay scale or salary, full-time or part-time, whether these are new or old jobs. You use "old economy" and "new economy" quite a bit. You can't say without a doubt where these jobs are coming from.

The question is, then, how can we believe what the government is saying when consistently we have seen promises of jobs, as in the 2009 budget where 146,000 jobs were promised, and instead we saw 143,000 jobs taken out of the economy. That's at the very heart of it. How can we believe this number when you can't back it up, nor can anyone in the government, without the critical documents that the opposition requires to believe you?

**Hon. John Wilkinson:** Thanks for the questions. First of all, I think it's fairly informative to look at history. I think you brought in the case of the 2003 budget. I can tell you that after some unexpected things like SARS hit this province, the amount of new job creation that was estimated when your party was in power that year came in substantially less.

It is the nature that the economy is dynamic and sometimes, it goes through contractions. We did have to weather the largest economic downturn in some 80 years as a globe—not just Ontario, but as a globe.

I can tell you that when it comes to economics—and, of course, we have Dr. Mintz who did that work. He got that contract because he is, according to his peers, the leading expert on the economic relationship between taxes, investment and job creation. I can tell you that when I met with Dr. Mintz at the Ontario Economic Summit, he told me that when it comes to jobs, he actually uses something called the Cobb-Douglas production function. I'm not an economist, but I'm sure Dr. Mintz would be more than happy to answer any questions you may have on that. So there is the science of economics behind it.

What I tried to do for Mr. Tabuns was to say, if we are dramatically dropping the cost of business, the marginal effective tax rate on new investment, Dr. Mintz says that that will increase investment over what would have happened by some 20% over the next 10 years. That represents some \$47 billion, and using the Cobb-Douglas production function, that equates to some 591,000 new jobs. Again, that's what Dr. Mintz said. So I leave it to the economists to look at that.

What will happen, of course, will happen. That's the nature of it. All we can do as a government is to set—

**Ms. Lisa MacLeod:** But, Minister, I think it's disingenuous of the government when you're saying this, when you're saying "What will happen will happen," yet you travel the province, you answer questions in the House, you speak to the media and you say definitively that there will be 600,000 new jobs, and you can't deliver on that promise.

**Hon. John Wilkinson:** Well, I say that—

**Ms. Lisa MacLeod:** You say that, but you can't back it up other than this report that does not talk about where these jobs will be, sector by sector, region by region, pay scale or salary, pensions and benefits, full-time or part-time. You can't tell me if they're going to be in the old sector, whether it's through exporting or manufacturing, and you can't tell me if it's going to be in the innovation sector, in the new economy.

The reality is, it's a great spin, but you've never delivered—and I speak about your government—on a jobs promise to date, in almost seven years. So the challenge for Ontarians, when you're talking about your comprehensive tax policy, which includes the 8% HST, is that Ontarians are afraid. They don't believe that the cost savings are going to be passed on.

I just got an email about the Toronto Airport Express increasing their fees by 8%. I spoke to the Nepean chamber of commerce last week, and not one business person actually felt that they were going to get the savings passed on because of the HST. In fact, when your colleague spoke and mentioned that jobs would be created, Nepean business people actually said they did not feel that there were going to be job increases. They actually thought people were going to lose their jobs.

The thing is—and you might be right, but the problem is, you've not demonstrated to us that you are right and your government has been unable to demonstrate to us that your job creation numbers are right.

You've talked about job creation in the Green Energy Act. Where are those jobs? We haven't talked about them since George Smitherman left the building. We've talked about jobs to be created in other sectors as a result of various pieces of legislation; those have not materialized. The reality is, there's a credibility gap with the people who are going to start paying the taxes, and I think that that's the challenge.

I'm not sure the government can actually talk with much credibility on job creation until they can actually come out to Ontarians—and whether that's through the finance minister or through yourself—and bring us that

document that says, "This is where the jobs are going to be created; this is how much money the people who are going to take these jobs are going to make; this is where those people who have those jobs are going to live." You can't do that right now, so there's an awful lot of fear out there. People see one segment of it as a tax grab, and the other part they really don't understand because it can't compute—how, if you're going to take 8% more, am I going to get another job or hire more people?

We had a lady in the Legislature today who owns a company called Penny Loafers; she owns a shoeshine shop. The reality is, Minister, she came to my office in an appeal. She feels that she's going to have to shut down her business.

We heard from Andy Soumbos from Curves; he'll be here tomorrow. They had a protest—probably one of the happiest protests in the history of my being in this chamber—on the fitness tax. What he did was he came to me and he said that your input tax credits are only going to be worth about 10 cents per member of his gym and his fitness centre; that's it. But he is fearing that he's going to have to close some locations down as a result of the government not being able to lessen the impact of the HST.

Again, you talk about how this is a comprehensive tax policy plan. We've actually spent very little time in the opposition talking about just the HST; we've talked about your job creation numbers. Yet, when you talk to the Ontario Real Estate Association or some of the home builders, when you talk to people who own kids' campgrounds, they're frightened because those are going to be services that are going to be impacted. They don't yet see, or their economic model for their business won't suggest that those savings will be passed down and that they're not going to go out of business.

I don't have to remind you of what happened in Atlantic Canada, and I know that many people around here love to talk about Nova Scotia as a theoretical example for the HST. I actually lived there when this occurred and I remember the toll that it took on people. In fact, I remember the home building industry, which I have relatives in, in excavation and construction, and a lot of that went underground. When you look at the numbers and you talk to the home renovation sector, they'll tell you that one third went underground, which you're going to lose revenues from in your ministry; one third went out of business, which is not good at all because you're losing more revenue; and then a third stayed in business and there were higher prices.

I'll give you another anecdotal piece: I have a sister in Nova Scotia. We both drive the exact same minivan. On Labour Day weekend last year, she drove up from Nova Scotia to stay with me, my husband and my daughter, and she was quite shocked by the price of gas in Ontario. It was 16 cents a litre less expensive in Ontario than it was in Nova Scotia. I had quite a giggle because I said, "That'll be us very soon," because we're going to see that extra tax at the pumps.

When you look at the impact of what you're saying, this all goes back to a common thread. You're telling us



that the government's going to pass the savings on; you haven't done that with the LCBO. You tell us 600,000 jobs are going to be created; you can't legitimize that claim. You tell us from time to time that the HST is going to be good for low-income people, who it's going to probably target the most. These are serious challenges that you have to face that you're not prepared to provide answers to. And those job numbers—those are the most critical, because again, you can't define where, when, how long; you can't give me a timeline on these tax cuts.

I guess there's not really much more to say to you on this point other than that I think it's incumbent upon the ministry to table that document, the economic modelling document, tomorrow so that myself, Mr. Tabuns and our respective caucuses are able to review that to best assess whether or not your job creation numbers are legitimate.

1720

Again, we have to best assess, and one would say by practice that you're not going to pass on the savings, given what happened at the LCBO and given the fact that at the same time, in the last election in Nova Scotia, there were actually signs on home heating—

**The Chair (Mr. Garfield Dunlop):** You have 20 seconds.

**Ms. Lisa MacLeod:** —that said “Heat or eat.” People were actually forced to heat or eat, and that's actually how the NDP was elected.

Mr. Chair, I want to thank you very much for the opportunity to talk about the job numbers today. Again, I hope the minister will be forthcoming with that economic modelling report, because I think that's the only way to move forward.

**The Chair (Mr. Garfield Dunlop):** Thank you. Now we'll move over to the third party.

**Mr. Peter Tabuns:** Thank you, Chair.

**The Chair (Mr. Garfield Dunlop):** I guess we'll go for about another 10 minutes of you, and then we have to have another break. I apologize. Go ahead.

*Interjection.*

**Mr. Peter Tabuns:** You're right, I do.

**Hon. John Wilkinson:** I know you do.

**Mr. Peter Tabuns:** And before I go into those questions, just to confirm: Altogether, the cost to the consumers for the HST will be about \$7 billion a year. The \$5 billion that businesses are no longer spending, the \$2 billion in tax cuts—it's about \$7 billion. Is that within your realm?

**Hon. John Wilkinson:** What I have is the information that has been provided to all of us from the Minister of Finance when he's tabling his budgets. As I've said, it's important for us to take a look. We have, as you know, a number of point-of-sale rebates that also have to be factored in.

But we're seeing, as I mentioned before, that when it comes to the revenue base of the province of Ontario, the conversion of the RST base to the HST base raises just over an additional \$2 billion in the first complete fiscal year. That's before you take into account any dealings

with, of course, the fact that we have savings on the income tax side, and of course the transitional benefits.

**Mr. Peter Tabuns:** But I'm assuming, then, if business is reducing its cost of inputs by \$5.3 billion, that someone's picking up that slack, because you aren't having a \$5.3-billion reduction in your revenue, and that that, in fact, will be paid by consumers.

**Hon. John Wilkinson:** No. As you know, that would assume, of course, that the free market doesn't apply in Ontario when it's applied everywhere else. When you raise the cost of business, they make the very strong argument that that leads to higher prices. When we lower the cost of business, that leads to lower prices because we live in a competitive market. People do not willingly overpay for any service. Businesses—and that is my background—know that you have to provide both value and price. That is what people make their decisions on.

We live in a world now, Mr. Tabuns, of course, where there's more information about value available to consumers than ever before. Again, that is why, when we talk to the work done by Don Drummond and his colleagues at TD Economics, because we're not talking about things that are warehoused but we're talking about energy and services, the prediction of course is that some 80% of the cost savings will pass through in the first year.

The cost savings are actually really on the part of the economy that today is taxed at 13%. The part of the economy in regard to goods and services that are taxed at 13%—I think of, for example, everything at Canadian Tire, which is pretty well taxed today at 13%. There's a 5% tax that Canadian Tire charges and sends in to the federal government, minus what they've paid, but there's an 8% tax that is remitted to my ministry, and there is absolutely no credit given for all of the eight per cents that that company itself has paid.

So it isn't just on the 17% of the economy affected by the increased tax base; it is the majority of the economy where we see the broadest measure of a reduction of the cost of those businesses, beyond the fact that we're also reducing corporate income taxes, eliminating the small business surtax, eliminating the capital tax.

**Mr. Peter Tabuns:** So on one side, Minister, you have \$7 billion that will be paid in HST by consumers, and on the other side you'll have a \$5-billion reduction in cost of inputs to businesses which you are arguing will be passed on to consumers, and \$2 billion in tax credits.

**Hon. John Wilkinson:** No, what I'm arguing is that it is important to understand the nature of a value-added tax and what that means.

**Mr. Peter Tabuns:** You've made that very clear.

**Hon. John Wilkinson:** That's right. And then the question is—

**Mr. Peter Tabuns:** You've been extremely thorough throughout the day on that. So Minister—

**Hon. John Wilkinson:** Then the question is, there are those who opine that if the free market does apply—

**Mr. Peter Tabuns:** If you don't mind—

**Hon. John Wilkinson:** I think it does.

**Mr. Peter Tabuns:** No, no, I'll make that argument separately.

I'll go back to my first question. How much do you expect to bring in, in revenue, from the HST with these changes?

**Hon. John Wilkinson:** That's \$2 billion. That is what is—

**Mr. Peter Tabuns:** In total? That's not your net figure?

**Hon. John Wilkinson:** That's not net. We'll get you the number—

**Mr. Peter Tabuns:** No, page 158, table 2.

**Mr. Bob Laramy:** Page 136.

**Hon. John Wilkinson:** It might be better if I could turn it over to my assistant deputy minister, who actually knows these numbers much more than I. Bob, if you don't mind, help us out.

**Mr. Bob Laramy:** These are the public revenue numbers. On page 136, you'll notice the sales tax figure in there—the interim—and you'll notice the plan, up to \$19 billion. That's the estimated number for next year. Also, there's another table in there that takes it a little bit further out. If you want to go to page 104—I'm quoting from the budget document, the 2010 Ontario budget—

**Mr. Peter Tabuns:** Yes, I've got it here.

**Mr. Bob Laramy:** That one carries the outlook out for sales tax a few years further as well. That shows the interim this year at \$17.4 billion; it shows the plan at \$19.1 billion for 2010-11; it shows 2011-12 at \$20.3 billion; and it shows 2012-13 at \$21.4 billion. Those are the forecasted numbers under the new regime.

**Mr. Peter Tabuns:** No, I understand that, but the reality is, you've told us today that there will be a \$5.3-billion reduction in the amount of money that businesses will be paying in provincial sales tax. If their costs are reduced by \$5.3 billion; if the amount of money they send you is reduced by \$5.3 billion, and the amount of money from sales tax revenue continues to increase, someone is covering that \$5.3 billion.

**Hon. John Wilkinson:** As I mentioned, in a value-added tax system, at the end of the day, it's the consumer that pays the tax once, and there's no hidden tax. What we said is—

**Mr. Peter Tabuns:** Someone is sending you money. They may pass on their savings in another column, but I'm saying to you, if the amount of money they're sending to your department is dropping by \$5.3 billion, someone else is paying you \$5.3 billion to make up for that.

**Hon. John Wilkinson:** Mr. Tabuns, as we said, overall for the government of Ontario, in the first few years, this will actually cost just over \$3 billion. Overall, we're not raising any additional money from this measure. If we were, then, of course, the Taxpayer Protection Act would kick in, and it isn't applicable in this situation.

**Mr. Peter Tabuns:** Even if I were to accept that argument, and I'll set it aside for the moment, you're telling me that businesses will give you \$5.3 billion less

every year, and yet your revenue figures are not going down. How is that being made up?

**Hon. John Wilkinson:** As I mentioned, what we're doing is, we are—and we've been very clear about this—lowering the cost of business to make them more competitive. It is very important that in this global economy we are competitive.

I leave it to the Minister of Finance to deal with the issues around the projections that he has used and will continue to use as our Minister of Finance. Again, as I mentioned to Ms. MacLeod, I am not in a position, as the Minister of Revenue, to defend—I can share with you where those numbers are in the public record; I'd be more than happy to do that, but when it comes to questions of tax policy, of course, that is the issue of the Minister of Finance. I know he's coming to this committee after I'm done here.

What I can tell you is that the estimates used by TD Economics are ones that were actually, we think—how should I say this? There are a lot of different economic opinions on that. The Minister of Finance is always one to use conservative estimates, but it is true that there are various groups that are opining on our tax reform, because it really is the biggest tax reform in over 40 years. And again—

**Mr. Peter Tabuns:** Minister, I find it quite shocking in fact that you can say to me, as the person in charge of the money coming in, that you're going to lose \$5.3 billion in revenue and you can't tell me where the \$5.3 billion is coming from to cover it.

**Hon. John Wilkinson:** We've been very clear that the consumer has one wallet, and what they're going to see on 17% is an increase on the sales tax. In the same wallet, they're going to be receiving from the government. Overall, it doesn't raise any additional money for the government, but does make our economy more competitive.

**Mr. Peter Tabuns:** I wasn't making that argument. What you're saying to me is that the \$5.3 billion in inputs that are a reduction for business—customers will pay less for products, but that says to me at the same time that they'll be paying more in taxes. They aren't getting a gift of \$5.3 billion; they're getting a shift.

**Hon. John Wilkinson:** Again, I think we've laid out—and I'm sure my ministry folks are going to help us out about how that all works out. But again, the nature of the tax reform of going to one sales tax is one that we go to the value-added model that is used in other economies, the majority of economies around the world, save our friends to the south—one of the reasons we're doing this. So what we've said—

**Mr. Peter Tabuns:** You made that argument earlier today and you made it quite thoroughly, but you still haven't explained where the \$5.3 billion is going to come from to reduce the inputs.

**Hon. John Wilkinson:** Of that number, I can tell you that the tax on tax is some \$4.5 billion. That is the hidden tax that consumers pay today. They pay that by way of hidden tax. They don't see anything on their bill that



says, "Here's the PST and here's all the PST you've paid on the PST. Here's the PST on your new home, even though you haven't paid PST." Again, to be fair, you have to take a look at the cost that is coming out of the system and where that money goes. What it does is, it makes our economy much more competitive. That's exactly why we're doing it.

**Mr. Peter Tabuns:** In fact, using your argument that it's all revenue-neutral, you're moving the tax—\$5.3 billion—from the businesses directly to consumers. It's not hidden anymore. It's direct; it's on the sales tag. In the future, there will be a \$5.3-billion reduction in payments to you from businesses that used to pay you and a \$5.3-billion increase from consumers who have paid you, as you would argue, a hidden tax in the past. It will now be an overt and open tax. Correct?

**Hon. John Wilkinson:** And by making that open, it means that that actually reduces the cost of business. We can have a discussion about that, but what I can tell you is that what we're responsible for—

**Mr. Peter Tabuns:** I appreciate you saying it's open. You've confirmed my number and I'm comfortable. That's good. I appreciate it.

**Hon. John Wilkinson:** What I can tell you is that we're providing some \$11.6—or maybe it's \$11.8—billion worth of income tax relief to individuals, those very same people—

**Mr. Peter Tabuns:** Over what period?

**Hon. John Wilkinson:** Over the next three years. And those are permanent tax cuts. I would say that it's important for us to take a look at all of the billions of dollars' worth of permanent tax cuts that we're putting into the system, because that is actually the whole picture.

It's easy to say that we're just going to take a look at one part of tax reform, but I think I've been very clear that there are over a dozen measures. One has to take a look at the HST measure as well, to be reasonable, looking at the entire picture of what the government is doing about who's paying tax, how they're paying, what's coming in and what the benefits are.

My ministry is responsible not only for revenue but also for benefits, something that was started under the Gains program, I believe, under the previous government, and again, we've been very careful about ensuring that we have benefits. It is true—and we've said this, and other independent people have looked at it—that the people with the least in this province will actually have benefits greater than any costs that could be attributed to an increase in sales tax on 17% of their purchases, and that for people who are—

**The Chair (Mr. Garfield Dunlop):** I think we'll just cut it off there, do a recess and go up to the vote.

**Hon. John Wilkinson:** Oh, we have to vote? Okay.

**The Chair (Mr. Garfield Dunlop):** We'll come back for another eight minutes. Thank you very much.

*The committee recessed from 1732 to 1741.*

**The Chair (Mr. Garfield Dunlop):** We have a quorum here, so Mr. Tabuns, you can continue on. Thank you, everyone.

**Mr. Peter Tabuns:** Excellent. Minister, has the government estimated the annual impact of the HST on the average family?

**Mr. Bob Delaney:** It's positive.

**Hon. John Wilkinson:** As I've always said to people—it's interesting. You have to kind of define what "average" is. Even two families with identical income would have vastly different consumption patterns. Again, if you were to talk to the Minister of Finance, his people who do the econometric modelling—but what we did provide in the budget in 2009 and we updated again in 2010, speaking with caution because I'm talking about another ministry, is that we did give examples, which I think are also posted on our website, about some model examples.

I've told people that it's important for them to go to the website to use the calculator to get an understanding of whether or not they qualify for various tax credits—millions of dollars that are available under the reforms of the income tax system as well, not just the sales tax. We use those models, and I could speak to those because they have been published by my colleague.

**Mr. Peter Tabuns:** They're on your website; correct? Ministry of Revenue?

**Hon. John Wilkinson:** Yeah, and they're also in the stuff that you have, in our fall economic statement—

**Mr. Peter Tabuns:** Good. I've got the right minister.

**Hon. John Wilkinson:** Yes.

**Mr. Peter Tabuns:** Excellent.

You've shown a few examples. Have you done averages? Have you done the calculation on the annual impact of the HST on families of different income groups and the annual impact of HST on families of different sizes?

**Hon. John Wilkinson:** We would only do impact when we look at the entire tax reform package. I think that would be the only fair way to make an assessment about looking at a family and about both parts of the equation, which is the reform of sales tax and reform of income tax. That's the kind of stuff that's contained in these examples which we have in the 2009 budget, the fall economic statement and the 2010 budget.

**Mr. Peter Tabuns:** No, I saw those. Do you have the documentation that's behind those that you can present to this committee?

**Hon. John Wilkinson:** Again, the Ministry of Finance is the one that published that work, so any material that they have of course would be from the ministry, and I wouldn't speak on behalf of the Minister of Finance any more than I would speak for the Minister of Children and Youth Services.

**Mr. Peter Tabuns:** Okay. So, just simply, then, you'd suggest that I wait for Dwight Duncan to ask that question?

**Hon. John Wilkinson:** I also would recommend that some of that work, though, was done by the Canadian Centre for Policy Alternatives, again independent from the government, which decided to take a look at that and drew conclusions about what the impact is.

Basically, if I could paraphrase, they confirm what many poverty activists have been saying: that for the people with the least in this province, particularly those with the least disposable income, they will be put in a better position, all in, their personal income tax cuts and/or credits versus any additional cost of the HST on that 17% of sales that are changing. As well, for the middle class, they consider it to be a wash: \$70 one way or the other for the entire year.

For those of us who have above-average income, there will be an overall increase, but I might add that people with the most money are actually in the best position to negotiate the best price. That's exactly why the federal government brought in the GST rebate and why we're bringing in the HST rebate: because people with the least amount of disposable income do not have clout in the marketplace. They are just trying to get by, as you know, so it's very important that there's a source of tax-free money that is predictable that they receive every quarter. They will continue to receive, quarterly, the money from the federal government, but also money from the provincial government, starting this August.

**Mr. Peter Tabuns:** Fair enough. I'll pursue that more with the Minister of Finance, then.

As the Minister of Revenue, how much do you expect the government will raise as a result of the new tax on gasoline and utilities?

**Hon. John Wilkinson:** Eight per cent.

**Mr. Peter Tabuns:** Eight per cent?

**Hon. John Wilkinson:** Yes.

**Mr. Peter Tabuns:** So you don't expect that there will be any reductions passed on to customers that will affect your amount?

**Hon. John Wilkinson:** Again, what I can tell you is that there is a competitive market for gasoline. I know there are many people who don't think there is.

**Mr. Peter Tabuns:** Yes, many; 13 million, I think.

**Hon. John Wilkinson:** As someone who travels across the province of Ontario, I am struck by how the price is common in a community but is vastly different community to community. Looking at the broadest measure, we collect taxation on energy, and particularly on gasoline, from across the whole province. I am, as someone who travels quite extensively, quite surprised by that. It does show me that there is a competitive marketplace out there.

Again, what we've said, and the reason we secured the money from the federal government, is that the entire supply value chain is going to end up getting re-priced, and it's going to take some time—

**Mr. Peter Tabuns:** Minister, you're getting a bit off track.

**Hon. John Wilkinson:** —for that to work through. So when we look at the petrochemical industry, I think that might be—because I think that's where you're going, and I'm trying to answer that.

**Mr. Peter Tabuns:** I'd like to know how much you expect to raise as a result of the new tax. Let's start with

gasoline. What's your number? What do you expect to raise?

**Hon. John Wilkinson:** Here we go. Let's take a look at, again, page 136 from my good friend the Minister of Finance, I say yet again, just so he knows I'm quoting something he has already published. If we look at page 136 and we look at gasoline tax—and you're going to help me out here, Deputy.

**Ms. Carol Layton:** Yes. There's the 2010 plan right there—\$2.36 billion is the forecast.

**Hon. John Wilkinson:** Yes, but that's the—

**Ms. Carol Layton:** That is just the total.

**Hon. John Wilkinson:** That's right. So we have the gasoline tax. That will not change. But what we will have in the tax base from the federal government is our portion of gasoline as it applies under the HST, which are the same rules as it applies under the GST.

Broadly speaking, you can take the price of gasoline and add 8% for everybody, and that's—we're going to get more money from gasoline, and we've been very clear on that. But we're also going to have—

**Mr. Peter Tabuns:** So you're saying it's about \$40 million a year here in this table?

**Mr. Bob Laramy:** I'm not sure where \$40 million comes from; sorry.

**Mr. Peter Tabuns:** I look at gasoline tax, and I look at the 2008-09—

**Hon. John Wilkinson:** The gasoline tax is 14.7 cents a litre, so that's different than the HST. Was your question about what the HST—

**Mr. Peter Tabuns:** Then why don't you tell me what you're going to raise from the HST on gasoline?

**Hon. John Wilkinson:** Eight per cent.

**Mr. Peter Tabuns:** And what number is that?

**Hon. John Wilkinson:** Again, with respect, you'd have to ask the Minister of Finance, who puts that together.

**Mr. Peter Tabuns:** You collect it but you don't know how much it is?

**Hon. John Wilkinson:** Actually, I don't collect the HST; the federal government, on July 1, will. So when it comes to projections of the revenues of the province of Ontario, that is the sole purview of the Minister of Finance, not the Minister of Revenue. Next year in estimates, I can tell you what we received from the federal government by way of our agreement with the federal government under the comprehensive integrated tax coordination agreement.

Again, as to whose role is which, I can tell you, as the Minister of Revenue, that it doesn't fall to me to project what our revenues are going to be. That falls to the Minister of Finance. That's his responsibility, not mine.

I can't compare it because today, other than the gasoline tax, which is a set amount per litre of 14.7 cents, what we're going to is new. What it will be is the same set of rules that apply to gasoline in regard to the GST. For example, petrochemical companies charge the GST and send it in to the government, minus the GST they've paid, given the fact that, for the first five years, we'll have restricted input tax credits which will phase out in the three years subsequent to that.



**The Chair (Mr. Garfield Dunlop):** Okay; that's the NDP round, the third party. Now we've got about 10 minutes today for the Liberals, the government, so you can start, Mr. Naqvi.

1750

**Mr. Yasir Naqvi:** Thank you very much, Mr. Chair, for giving me the option to ask the Minister of Revenue some questions. It has been a long time that I've been wanting this opportunity, Minister. I've been working for you for a year now, and there are a few axes to grind. No, I'm just kidding.

**Mr. Peter Tabuns:** Be gentle.

**Mr. Yasir Naqvi:** Yes, exactly.

I've been, along with the minister, as you know, Minister, travelling a fair bit across the province and talking to the good people of Ontario about the challenges this recession has posed, not only for Ontario but also for Canada and globally—I think people in their towns and cities know better, as to the challenges—and also highlighting to them what their government is doing to come out of those challenges.

I think people are extremely appreciative that the government is not sitting back and taking a "status quo is okay" approach but actually looking beyond what the current climate is and saying what kind of Ontario we're going to build. Of course, change brings anxiety and some people are concerned, but it's interesting that what I have found is that—I've had the opportunity to have conversations with individuals, groups, members of communities, church groups, you name it. We explain to them the whole tax reform package, which includes changing the sales tax structure we have, changing the income tax structure we've got and changing the corporate tax structure. They listen. They're quite struck by the bold nature of changes to the way that government has always done things. I find, in my experience, a more receptive audience in terms of the things the government is trying to do and a better understanding of the kind of impact that it is going to have on our economy. That's an important point which gets missed in the debate.

We understand that we live in a very partisan environment where we've got to score some points, but at the end of the day, when people understand that there is something more than this harmonization of GST and PST—and even then, when people recognize they're already paying 13% on 83% of their consumption, their personal income taxes are going down and corporate taxes are going down, they have a better appreciation of the overall nature of the change the government is bringing.

One of the questions, Minister, I often get asked—because I raise the same point, that this is one of the largest tax reforms in the history of the province in at least 40 years. The tax cut that the government introduced back in 2009 is one of the largest. The question I get asked—and that was the question I think the member from Nepean—Carleton was trying to ask you this morning and I don't think you got ample opportunity to answer that question, as to: How is it that the tax reform package the government has brought forward is one of

the largest in the history of the province? Can you walk us through what makes it so large? We saw some not-so-apple-to-apple comparison; more an apple-to-orange comparison. I think it will be helpful to get into the discussion as to why the nature of these tax reforms is different than those that may have been introduced by previous governments.

**Hon. John Wilkinson:** I think I did try to get a word in edgewise with the member for Nepean—Carleton, and then I finally decided there actually wasn't a question there. I was struck by the fact that the comment was—I heard the word I don't know how many times: fear. People are frightened. They're afraid. There's only one antidote to fear and that is the facts. What I have to do as the Minister of Revenue in implementing and communicating this is to deal in facts. As the Premier has often said, reality is our friend. In other words, there is what people fear and then there is what actually happens.

I'd just like to run through the kind of money we're talking about because we're actually talking in the billions of dollars in regard to why this tax reform is so large. For example, when we lowered the income tax rate on the first \$37,000 worth of income—that applies to 93% of the people in Ontario who actually pay provincial income tax. Of course, I've always reminded them: Who do you write the cheque to? You just do one tax return. You send it to Summerside, Prince Edward Island, but a third of that money comes to the province. Back in the old days we used to make people do two income tax returns, one to my ministry in Oshawa and another one to the Canada Revenue Agency; at the time, it was Revenue Canada. A long time ago, we decided that we should just have one government actually do the forms and run the system, and then they send us back the money.

Recently—I know we're very proud in the ministry—we were able to harmonize our corporate taxes. We used to make corporations do two tax returns in regard to corporate taxes—one set of forms with exactly the same information to Oshawa—our ministry—and another one to Revenue Canada in Summerside, Prince Edward Island. Now all the money goes to the Minister of Finance for Canada—it goes to Summerside, Prince Edward Island—and we get our share back, because we have an agreement with them. It's better for us to do that than every individual corporation or every individual in Ontario having to do all of that paperwork.

It's going to be the same thing when it comes to sales tax. Why should we have two governments tripping over themselves trying to tax the same thing: every transaction in Ontario? Instead, we're going to have the one.

Because we're doing that, that allows us next year, for example, to have a personal income tax that amounts to \$1.2 billion. Our Ontario sales tax credit for the people with the least in this province is \$860 million. Our new Ontario energy and property tax credit is for some \$530 billion. That is, of course, not taking into account that because of our historic agreement with the federal government, there will be some \$1.46 billion paid out, tax-free. That's on the personal side.

What are we doing in regard to corporations? By actually reducing the corporate tax rate and the corporation minimum tax rate, that saves \$1.4 billion. That cost of business is buried in the price of everything we buy. That's where that money is.

The small business rate is being cut; that's \$150 million. The small business surtax elimination is another \$65 million. All told, it's some \$1.6 billion.

Of course, as I've said so many times, we are paying taxes that we do not see. We are paying taxes that are hidden. We're taking the step of actually having a tax system that is transparent and accountable.

The type of questions I'm being asked, I think by the opposition—valid questions—have to do with: How do we get to the number of all the stuff that today is not transparent? What we're doing as a government is reforming that system so it is indeed transparent.

It's that transparency that allows all governments and future governments to be accountable to the taxpayer. That again is one of the benefits of having one sales tax based on the federal value-added tax. We think that that overall is very important for us. I think it will also make it easier for us, as legislators, to be able to ask the type of questions that we need to ask, both of those of us in government and those of us in opposition.

It's all part of a transformation to make our system more accountable. It's a system, of course, that has been adopted around the world. What we find there is that consumers benefit when that hidden tax is taken out of the system, because consumers will always demand best value. We will protect those consumers who have very little clout in the marketplace.

The vast majority of us are informed consumers. I've been very clear that not every consumer has to be a sharp consumer, because a business has to price to the sharpest consumer out there. That's who they have to price to. I learned that from my own experience in business. You have to price to the person who is the most discriminating shopper, not the one who's least discriminating. I would describe myself as a self-avowed least-discriminating shopper. Thank God, there are people out there—and I think of other members of my family—who are very, very discriminating shoppers. That is the nature of this reform.

What I started to say to Mr. Tabuns is that you have the reality that this amazing transformation, this really seminal transformation of our tax system, means that the entire value chain is going to be repriced. It can't happen overnight. That's why we reached the historic agreement with the federal government to have that transitional money in that first year, with cheques starting to flow very shortly—in the next few weeks.

**The Chair (Mr. Garfield Dunlop):** You've got about a minute left in this first 10 minutes, Minister.

**Hon. John Wilkinson:** Okay, Mr. Chairman.

I want to conclude, though, by saying yet again that there is fear there. There is misinformation out there. What we're trying to do, as a ministry, is to be able to deal in facts. It's very important for us to make sure that when we're quoting about things that will happen in the future, we're quoting people who are independent of our government and sharing with people what they are saying. I think that's important. Third party validation is important. What you see is that, other than people who are partisan, I think there's a wide consensus among those who actually know about this and those who will be affected by this that this is the right thing to do, and that the alternative of doing nothing is the wrong thing to do. That's why I think, overall, there's agreement—and you even hear it now—that this is something that will happen. It is something that, of course, we will be held to account for, as a government, but we welcome that, because when faced with the challenge, we decided that acting was more important than doing nothing; that taking action was more important than the status quo. No matter how comfortable that may be, that's not a good place if there are going to be great prospects for our children and our grandchildren, so that's why we took that step.

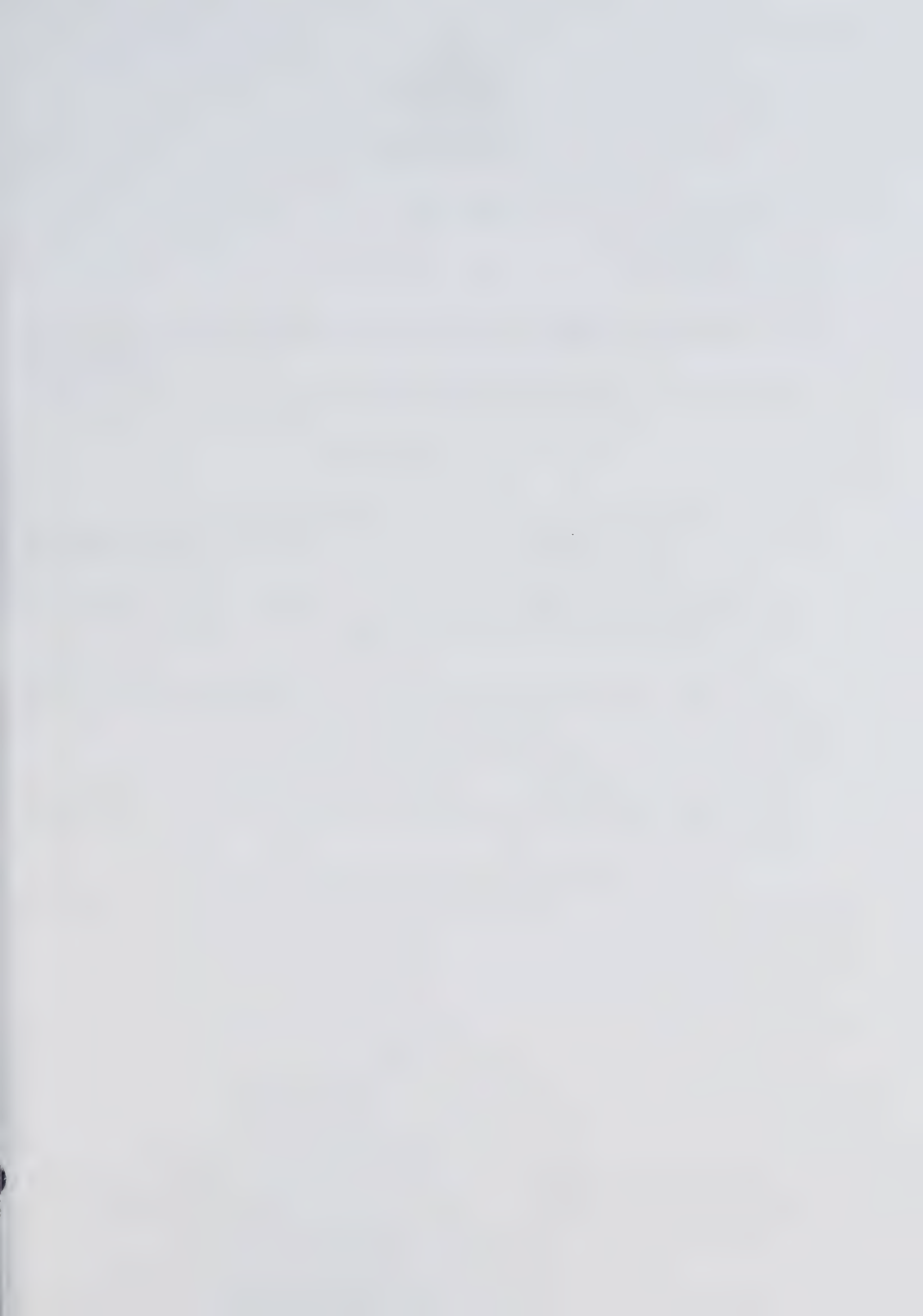
**The Chair (Mr. Garfield Dunlop):** Thank you.

We'll adjourn for today. We'll begin tomorrow after routine proceedings, or at 3:45, with the government. They have 10 minutes remaining in this rotation, and then we'll go to the official opposition and we'll continue on until 6 o'clock tomorrow.

Thank you very much, everyone. The meeting is adjourned.

*The committee adjourned at 1800.*





## CONTENTS

Tuesday 1 June 2010

|                           |      |
|---------------------------|------|
| Ministry of Revenue ..... | E-79 |
| Hon. John Wilkinson       |      |
| Mr. Bob Laramy            |      |
| Ms. Carol Layton          |      |

### STANDING COMMITTEE ON ESTIMATES

#### **Chair / Président**

Mr. Garfield Dunlop (Simcoe North / Simcoe-Nord PC)

#### **Vice-Chair / Vice-Président**

Mr. Robert Bailey (Sarnia–Lambton PC)

Mr. Robert Bailey (Sarnia–Lambton PC)

Mr. Gilles Bisson (Timmins–James Bay / Timmins–Baie James ND)

Mr. Jim Brownell (Stormont–Dundas–South Glengarry L)

Mr. Kim Craitor (Niagara Falls L)

Mr. Bob Delaney (Mississauga–Streetsville L)

Mr. Garfield Dunlop (Simcoe North / Simcoe-Nord PC)

Mrs. Amrit Mangat (Mississauga–Brampton South / Mississauga–Brampton-Sud L)

Mr. Phil McNeely (Ottawa–Orléans L)

Mr. John O’Toole (Durham PC)

#### **Substitutions / Membres remplaçants**

Ms. Lisa MacLeod (Nepean–Carleton PC)

Mr. Yasir Naqvi (Ottawa Centre / Ottawa-Centre L)

Mr. Peter Tabuns (Toronto–Danforth ND)

#### **Clerk pro tem / Greffier par intérim**

Mr. William Short

#### **Staff / Personnel**

Mr. Terrence Teixeira, research officer,  
Legislative Research Service





ISSN 1181-6465

**Legislative Assembly  
of Ontario**

Second Session, 39<sup>th</sup> Parliament

**Assemblée législative  
de l'Ontario**

Deuxième session, 39<sup>e</sup> législature

**Official Report  
of Debates  
(Hansard)**

**Wednesday 2 June 2010**

**Journal  
des débats  
(Hansard)**

**Mardi 2 juin 2010**

**Standing Committee on  
Estimates**

Ministry of Revenue

**Comité permanent des  
budgets des dépenses**

Ministère du Revenu



Chair: Garfield Dunlop  
Clerk pro tem: William Short

Président : Garfield Dunlop  
Greffier par intérim: William Short

### **Hansard on the Internet**

Hansard and other documents of the Legislative Assembly can be on your personal computer within hours after each sitting. The address is:

<http://www.ontla.on.ca/>

### **Index inquiries**

Reference to a cumulative index of previous issues may be obtained by calling the Hansard Reporting Service indexing staff at 416-325-7410 or 325-3708.

### **Le Journal des débats sur Internet**

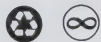
L'adresse pour faire paraître sur votre ordinateur personnel le Journal et d'autres documents de l'Assemblée législative en quelques heures seulement après la séance est :

### **Renseignements sur l'index**

Adressez vos questions portant sur des numéros précédents du Journal des débats au personnel de l'index, qui vous fourniront des références aux pages dans l'index cumulatif, en composant le 416-325-7410 ou le 325-3708.

---

Hansard Reporting and Interpretation Services  
Room 500, West Wing, Legislative Building  
111 Wellesley Street West, Queen's Park  
Toronto ON M7A 1A2  
Telephone 416-325-7400; fax 416-325-7430  
Published by the Legislative Assembly of Ontario



Service du Journal des débats et d'interprétation  
Salle 500, aile ouest, Édifice du Parlement  
111, rue Wellesley ouest, Queen's Park  
Toronto ON M7A 1A2  
Téléphone, 416-325-7400; télécopieur, 416-325-7430  
Publié par l'Assemblée législative de l'Ontario



## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
ESTIMATES

Wednesday 2 June 2010

COMITÉ PERMANENT DES  
BUDGETS DES DÉPENSES

Mardi 2 juin 2010

*The committee met at 1604 in room 151.*

## MINISTRY OF REVENUE

**The Vice-Chair (Mr. Robert Bailey):** I'd like to call the meeting to order. I'm filling in for Mr. Dunlop, who's unable to be here today.

We have four hours and 40 minutes total left today. We're going to start with the government. The government has 10 minutes left in their time, and when that 10 minutes are up, then we start on the 20-minute rotations. Mr. Naqvi.

**Mr. Yasir Naqvi:** Thank you, Acting Chair. Thank you very much for taking the seat. Thank you, Minister, Deputy, ADM; welcome back.

We left last week—actually it was yesterday; it feels like a long time ago since we saw you last—talking about the tax reform package. We were sort of discussing, as I recall, the scope of the tax cut. I was taking up the question that the member from Nepean—Carleton asked, whether this is one of the largest tax cuts in the last 40 years, in Ontario's history, or not, and you were explaining to me the different components of the tax cut—I think you talked about the income tax cuts, the corporate tax cuts, the tax credit—involved.

I was hoping you could also talk about the input tax credit, which takes place as a result of value-added tax. What is the scope of that? What dollar figure are we talking about? How is it going to be beneficial to businesses? And how does that fit into this being one of the largest tax cuts in the history of Ontario?

**Hon. John Wilkinson:** Thanks, Mr. Naqvi. I always say, when I have an opportunity to speak to the business community, "You know how you charge the GST?" And the GST is basically ubiquitous across Canada. It's on almost all goods and services out there. I say, "Do you know how you charge GST on your customer? What do you do with that money? You send it in to Jim Flaherty"—you send it to the federal government; it's a federal value-added sales tax—"minus what you've paid in GST, right?" So that's what's known as an input tax credit. In other words, before I send the government the money I've collected in tax I get to keep what I've already paid.

What that makes happen is that it ensures that there's no tax on tax, because the alternative is a retail sales tax, which is this provincial sales tax we've had since 1961.

Those vendors who have to charge PST charge it to their customers and they send that money to me. I'm the Minister of Revenue, tax collector in chief of the province of Ontario.

I say to the business community, "Do I give you any credit for all the PST that you have paid?" and they say, "Well, no." So when you go to the HST, which is the GST at 13%, you eliminate the PST—it doesn't exist anymore—and you have just the HST. Then the company understands that, all of a sudden, all of the PST that they had been paying, instead of being a cost which they must put into their price, now becomes a credit, money that they've paid but they get to keep. That is the nature of it. It takes out some \$4.5 billion worth of embedded tax on tax.

I use the example that there are even items where there is no PST charged to the consumer, but it is. I give the example that though there is GST currently on a new house, there is not PST; but there is, because it's hidden. The builder has purchased goods and supplies to make that house—the wood, the hammer, the nails—and paid PST on all of that, and there's no mechanism for that to come back to the builder. So where is that cost? It's in the price. There's no other place for it to be.

So it is important for people to understand that though businesses will receive an input tax credit, what does that mean to the business? It improves their cash flow, it improves their competitive position, and it puts them in a position to compete on value and price and to invest in their company for productivity.

When I had the opportunity to go to Entryp in Oakville, as I was saying, the young entrepreneur who started that company was saying that that additional cash flow—for his business allows him to do something that he wants to do, which is expand. He said, "That extra cash flow, I know I'm going to get that. That's predictable, bankable. I know that comes to me under the system. I'm already used to the GST, so I don't have to register for the HST. If I registered for the GST, it's the same."

The other thing that I found quite interesting about very small businesses—and I remember I was in Brockville and dropped in to see a very small business. He had a sign; it said, "No GST." But up on the wall he had his PST vendor certificate. Under the GST rules, if you have sales of \$30,000 or less, you don't have to register for the GST and you don't have to charge it, but if you're a vendor and you're selling taxable goods and

services, and I think if it's more than \$1,000 for the year, you must and are required by law to register for the PST.

Just quickly, Deputy, how many—or maybe my assistant would know—registered vendors do we have today for the PST in Ontario?

**Ms. Carol Layton:** Over 300,000.

**Hon. John Wilkinson:** Over 300,000 businesses. Many of them are small, because the threshold for that is if it's more than \$1,000. Now, for that small business, the PST won't exist after July 1—no tax—and the HST threshold is the same as the GST threshold; that is, under \$30,000. So no tax. He has the option to register if he wishes, because if he registers, he's allowed to charge it and then keep his input tax credits, but he doesn't have to.

1610

The same thing when I was up in Alexandria. I met with business. The one lady had a gym; I think it was a Curves. She goes, "I'm going to have to charge the HST." But she also had a catering business, and now she didn't have to charge HST. For one business there was going to be more tax, but input tax credits; the other business was going to be totally tax-free.

Again, that's the nature of our tax reform: How do we free up small business? For businesses that are \$30,000 or less, for not-for-profits that are \$50,000 or less, basically they become tax-free entities. That allows those small businesses to get up off the ground and to get running. Today in Ontario, the second their sales go over \$1,000, they're expected to understand that by law they have to register with us. Again, this will eliminate a great deal of really unnecessary paperwork and give small businesses their own choice, up to that threshold, of whether or not they're going to register with the federal government for the HST.

If they are registered, just to be clear, if you have your GST number, that's your HST number. There's nothing special you have to do to register for the HST if you're already registered for the GST.

**Mr. Yasir Naqvi:** Thank you, Minister. I often remind businesses of the simplicity of the new system. I say, "Picture a GST form. You've got the Canadian flag on the top right-hand corner and you've got the GST number, 1234, on the top left corner. On July 1, it's going to be the same form, with the Canadian flag on the top and it has HST number 1234. This is how simple it gets." Businesses always get quite excited, especially small businesses, which have proportionately higher expenses administratively, dealing with the Ministry of Revenue at the provincial level and keeping count of all the PST they have to collect and remit back to your ministry. So there is a significant impact there.

**Hon. John Wilkinson:** Particularly for businesses, it's time, because a small business isn't going to have an accounting department in their business keeping track of this. This is something that the entrepreneur, the business owner, has to find time to do. They have to find time to do their GST return. They have to find time to do their PST. They're required to remit PST a lot sooner, when they get

over the threshold of \$1,000 worth of sales, a lot quicker than when they get over a threshold of \$30,000 worth of sales. So there are a lot more people registered for the PST in Ontario—

**The Vice-Chair (Mr. Robert Bailey):** Two minutes, Minister.

**Hon. John Wilkinson:** You said over 300,000—

**Ms. Carol Layton:** There are 319,000.

**Hon. John Wilkinson:** —319,000 PST vendors. Of course, that whole system, by and large, is gone on July 1.

Again, as the tax collector for the province, we remind people that our vendors are to remit all of the PST—RST—that they collect up until June 30. People are going to have to collect that money. They're going to have to send it in. We're going to have to take 319,000 vendors and we're going to have to clean up all of their accounts, because they're going to want to have the assurance that, "Yup, I'm square with you. All the money I got, I've sent in. You guys are good with me." Then we have to actually close out 319,000 vendor accounts. They're not going to want this to be left hanging. They're going to want some assurance that they're done with that system. Of course, we always have people in the process of having appeals and audits and that type of stuff. Over time we're going to be able to wind down that system. That, in itself, is a big undertaking for the ministry, to get out of a tax, but we think it's well worth it. And the business community will just be dealing with the same tax and set of rules that they're using today in regard to the GST.

I have heard, though, from the business community about the fact that the rules around the GST haven't been modernized to a great extent over the last 20 years. For the first time, Ontario as a province, as part of the HST, will have some influence over the need to modernize that. I hear that repeatedly from small business. For example, for our renovation sector the definition of a substantial renovation, at \$50,000, hasn't changed in 20 years. The federal government hasn't changed that in 20 years.

**The Vice-Chair (Mr. Robert Bailey):** Thirty seconds, Minister.

**Hon. John Wilkinson:** Soon at least Ontario will be one of those provinces that are part of the national value-added tax system, which is the HST. We will look forward, as Ontario, as a province, to participating in the federal-provincial-territorial working committee that exists around those provinces with the HST.

**Mr. Yasir Naqvi:** Then the rules could be refined.

**Hon. John Wilkinson:** Yes. We actually now can have some moral suasion on that because it's our tax base as well.

**Mr. Yasir Naqvi:** Great. Thank you, Minister.

**The Vice-Chair (Mr. Robert Bailey):** Time's up; right on the button. Thank you.

**Hon. John Wilkinson:** We try.

**The Vice-Chair (Mr. Robert Bailey):** Now to the official opposition. Ms. MacLeod, 20 minutes.



**Ms. Lisa MacLeod:** Welcome back, Minister, deputies. Great to see you again. Thanks for coming in. I appreciate it.

I want to talk a little bit about public consultation, Minister, with respect to the HST. In December, we sat in this same room and went through a couple of things. One was an attempt at public consultation and the other one was an attempt at clause-by-clause.

As you know, the opposition had called for much more consultation on the HST, which was an omnibus bill; you'll remember that. It was a very large bill coming from the Ministry of Finance. At the time, we called for a travelling committee to go across Ontario to places like Ottawa, Whitby, Niagara, up north, to have an opportunity to talk to Ontarians about the impact of your tax package and the HST. At the time that was refused; we had a day and a bit of public consultation in a very short period of time. As many of us will acknowledge in this chamber, it takes roughly six to eight months to pass a piece of legislation through all the various stages: first reading, second reading, committee stage, clause-by-clause, public hearings and then, finally, third reading. This piece of legislation passed with very little public consultation in a three-week period.

If you go back and look at the GST, for example, there was a travelling committee that went from one side of Canada to the other and there were probably, I think, close to 10, maybe as many as 20, public consultations before the GST was passed. And there were many more public submissions given to that committee. In contrast, when you look at Ontario, we didn't have that opportunity, and this was pushed forward.

I guess the question is, your party opposed these legislative sessions for people to actually have an opportunity to speak to the HST at the time that this bill was going through the House. Why did you oppose that? The second part of my question is, why only now, a month before this HST is going to hit, are ministers finally getting out to talk to people?

**Hon. John Wilkinson:** That's kind of an open-ended question. Here's what I can tell you. The government of the day is supposed to present a budget to the House. That has to enjoy the confidence of the House. That's exactly what we did.

We entered into negotiations with the federal government when the Prime Minister and the Premier agreed that it was really something that we needed to focus on. We were successful in the sense that I think Minister Duncan and Minister Flaherty showed the requisite leadership and flexibility to ensure that Canada's largest province could be part of a modern tax system.

We presented that in the House. We presented it in March 2009 and we voted on it in December—I think the day before the federal government—

**Ms. Lisa MacLeod:** No, no, but let's be honest here. The reality is, the bill that brought in the HST was brought in and introduced—and you know this—in December, maybe late November. The reality is, you rammed through the single-largest sales tax increase in three weeks.

**Hon. John Wilkinson:** And the single largest income tax cut as well at the same time.

**Ms. Lisa MacLeod:** No. You say this, but again we went through these numbers yesterday and—

**Hon. John Wilkinson:** I can read them again, if you'd like—billions of dollars.

**Ms. Lisa MacLeod:** When you talk about the health tax, when you talk about rolling back the 2003 tax reductions of Premier Eves, there still is a net increase in taxes compared to that time. But the reality is, Minister, only now are Liberals deciding to go out and talk to the public. It is a problem—and you can laugh at Ontarians who haven't had an opportunity—

**Hon. John Wilkinson:** I've seen 13,000 Ontarians in the last two months—

**Ms. Lisa MacLeod:** But you didn't do it in this chamber, and the reality is, they're not open to the public. It would behoove each one of you in the Liberal Party, if you're going across Ontario, to actually make it public—

**Hon. John Wilkinson:** This is on television right now and the public is paying attention.

**Ms. Lisa MacLeod:** It is. The public, through me and through Mr. Tabuns, is having the opportunity to question you. They are not able to do this directly in an open, free format in their own communities like we should have had an opportunity to do when you put this tax increase through.

Just yesterday, three ministers, none of whom were you, showed up in three opposition ridings to a select group of people. I would have appreciated, quite frankly, had the minister who appeared in my riding let me know so I could bring people to her or host an event with her so she could hear from the people in my riding. I'm sure the other members would feel the same.

1620

The question is, why are you now just touring PC ridings? Are you going to make these meetings public and will you post these summer meetings of your HST tour on your website so that Ontarians, whether it's in Nepean—Carleton or Nickel Belt, are able to go to meet a Liberal minister and tell them how the HST is going to impact them?

**Hon. John Wilkinson:** It's interesting. I find the question to be somewhat odd. I can't think of a public policy issue in this province that has had so much public debate, so many people commenting on it. I know that in this province the task that I had to implement and communicate—

**Ms. Lisa MacLeod:** The reality is that the Premier really struck a very sour note when he looked at Ontarians and said, "You have a problem with the HST? Call a talk show." Call John Tory, Lowell Green, Steve Madely or John Moore in the morning, call any of these people, because that's the type of sympathy that they've had, right? And they're great people, these talk show hosts; I listen to many of them. The reality is, though, they're not the Premier of Ontario; they're not the member from Ottawa Centre; they're not the member from Ottawa—Orléans. By the way, I've been in both of your ridings, and the people are very upset.

I can tell you something, Minister: The people of this province deserve to be heard on the concerns that they have with the single largest sales tax increase in our province's history. But instead, this bill was rushed through the chamber. You're attending—and so are your ministers and parliamentary assistants—hand-picked, closed-door meetings that aren't public. The simple question that I have for you—and I would appreciate an answer—is, when you continue to do these tours with the ministers and the parliamentary assistants, are you going to make these meetings public and are you going to make them available well enough in advance so that the public can attend?

**Hon. John Wilkinson:** Well, Ms. MacLeod, you're lecturing me about not listening and when I try to give you an answer you cut me off.

**Ms. Lisa MacLeod:** Well, you're not answering my question. I mean, that's the—

**Hon. John Wilkinson:** There we go yet again. You can't be lecturing people about not listening if you're actually not going to listen—

**Ms. Lisa MacLeod:** And you shouldn't be smug, sir. You should answer the question that I've asked you. The smugness and the arrogance has to stop.

**Hon. John Wilkinson:** You have to listen to the answer because you're here to ask me questions about my estimates.

Now, if you want to talk about history, if you want me to give you my opinion about history, I can. I was here to defend the estimates of my ministry. There has not been a government policy that has had more public consultation than the biggest tax reform in our province in over 40 years. You may not like the results of it, and I understand that; you may oppose it, and I understand that. But what I have enjoyed more than anything is crossing this province and answering the questions that people have that have been planted in their minds through fear and information that is not accurate.

**Ms. Lisa MacLeod:** Minister, 100,000 people opposing this signed a petition that I introduced in the Legislature today; it took five banker's boxes. They do not feel that the Ontario government, under the leadership of Dalton McGuinty and under your portfolio, have been listening. It's not a criticism just from me; it's not a criticism just from the New Democrats; it's organizations like the National Citizens' Coalition or the Canadian Taxpayers Federation. You mentioned Curves earlier; I couldn't think of a bigger insult than for you to mention saying that they're going to receive tax savings when Curves came to this Legislature and Andy Soumbos sat here, was not listened to during public delegations, then decided to bring 300 fitness members from across the province to this lawn and wasn't listened to, and then today showed up again to tell us that this HST is going to be hard on his Curves business and probably force an Ottawa Curves to shut down. For you to be callous enough, smug enough to sit there and say that this is going to be good for him and mention his business, I can only think he is going to—

**Mr. Bob Delaney:** On a point of order, Mr. Chair: We recognize the ability of a member to ask just about—

**Ms. Lisa MacLeod:** I don't think there's a point of order here. Mr. Chair, he's running my clock, and the reality is—

**Mr. Bob Delaney:** We recognize the right of a member to ask just about any question that she wishes within the scope of the minister's responsibility, but I wish to remind the member that she remains bound by the standing orders, which specifically prohibit the impugning of motive, and that's something she has just done. I would ask the Chair to enforce standing order 23(h).

**The Acting Chair (Mr. Robert Bailey):** Okay. Point well taken. I'll have you refrain. You can use your time the way you want—

**Ms. Lisa MacLeod:** Thank you, Vice-Chair.

The new talking points on the HST appear to be pretty off-colour. Yesterday your finance minister, who was the architect of the HST, who's done the economic modelling—and you're the salesperson—used words that we probably couldn't describe in here to talk about Tim Hudak and my PC caucus. So I guess I have a quick question for you: Were you consulted in this new PR scheme and did you approve of the script?

**Hon. John Wilkinson:** I find that a really interesting question at estimates. That sounds to me more like a partisan question.

What I can tell you is that, yes, cabinet ministers in Ontario actually fan out and meet with people right across this great province; always have and always will. I think that people have been extremely, extremely happy to understand that some of the misinformation out there that has been put out is factually incorrect. I distinctly remember—

**Ms. Lisa MacLeod:** Okay, thank you. I guess I'm asking you for answers to questions and you're not prepared to give them. I asked you if you approved the script, so I assume you did.

Yesterday, you put out a press release that misquoted my leader, took only half of a quote. I only can assume that that was deliberate. Yes or no?

**Hon. John Wilkinson:** That's actually a statement.

**Ms. Lisa MacLeod:** I just asked you, yes or no? Was the misleading quote deliberate?

**Hon. John Wilkinson:** Well, I'd love to read the entire quote into the record. Here we go—

**Mr. Bob Delaney:** On a point of order, Chair: The same comment I just made continues to apply.

**Ms. Lisa MacLeod:** Okay, I'll move on to another question. During question period today—

**Hon. John Wilkinson:** Mr. Chair, we were asked a question about the quotes of Tim Hudak, and I'd love to share that with the good people of Ontario—

**Ms. Lisa MacLeod:** —Dalton McGuinty let slip out that the HST “gives us more money,” before adding—

**Hon. John Wilkinson:** For example—

**Ms. Lisa MacLeod:** —“That's fundamentally what it is all about.”



**The Vice-Chair (Mr. Robert Bailey):** I don't want to get into that, okay? So stick to the estimates.

**Hon. John Wilkinson:** There's more. I'd love to share that with the people of Ontario.

**Ms. Lisa MacLeod:** The parliamentary assistant decided to intervene on your behalf to protect you from some of these questions, so I'll just move on to my next question—

**Hon. John Wilkinson:** I'm just here ready for quotes. You want quotes by Tim Hudak; I'm right here for you.

**Ms. Lisa MacLeod:** I will start over with my new question. During question period today, Dalton McGuinty, in a response to a question—

**Hon. John Wilkinson:** We call him the Premier around here.

**Ms. Lisa MacLeod:** —by the leader of the third party, Andrea Horwath, let it slip about the HST. He said, "It gives us more money...." before adding, "That's fundamentally what this is all about"—

**Hon. John Wilkinson:** Is that his whole quote, Ms. MacLeod?

**Ms. Lisa MacLeod:** —which flies in the face of what you have been saying, which is reducing revenue—

**Hon. John Wilkinson:** Was that just a partial quote or was that his whole quote?

**Ms. Lisa MacLeod:** When the Premier just admitted—not just now, today, but he also admitted that on May 5, when he said it's going to cost Ontario taxpayers more. So I guess you have been saying it's going to reduce revenues when the Premier just admitted, not only today but on May 5, that that isn't the case. So which version of the truth are Ontarians expected to believe: the version where you're saying it's revenue-neutral or the version where Premier McGuinty actually says it's going to cost more people and it's all about more revenue?

**Hon. John Wilkinson:** The good people of Ontario actually know a bit about math, and so if sales tax is up and income tax is down, people just want to ask the question, "How does it affect me and my family and my business?" There have been many independent people who've taken a look at that.

The other question is, "Overall, are you getting more money as a government or less?" The reality is that it's less. If it were more, under the Taxpayer Protection Act, introduced when your party was in power and voted in support of by our government when we were in opposition, we'd have to have a referendum. The reason that's not required is because overall it doesn't raise revenue for the government beyond what we had been receiving. So it's a net loss of revenue in the short term, at least the first three years—some \$3 billion. There's a broadening of the tax base in regard to sales tax and there are \$11.8 billion worth of tax cuts over the next three years for people. People understand that they have one wallet.

**Ms. Lisa MacLeod:** Minister, can I ask you a quick question?

**Hon. John Wilkinson:** Sure.

**Ms. Lisa MacLeod:** Does paying 8% more on 20% more items—

**Hon. John Wilkinson:** It's 17%.

**Ms. Lisa MacLeod:** —17% more items—mean you're going to take in more money?

**Hon. John Wilkinson:** Actually, the federal government is going to collect a sales tax, and we want to thank the federal government for that.

**Ms. Lisa MacLeod:** No, I guess—

**Hon. John Wilkinson:** And as we've shown—

**Ms. Lisa MacLeod:** The question I asked is, by paying 8% more on 17% more items, does that mean more tax?

**Hon. John Wilkinson:** Well, first of all—

**Ms. Lisa MacLeod:** Yes or no?

**Hon. John Wilkinson:** —we've been very clear. If you actually go to the budget, what it says is that in the first full year the conversion of the RST—

**Ms. Lisa MacLeod:** So 8% times 17% means you're going to get a tax reduction?

**The Vice-Chair (Mr. Robert Bailey):** Let the minister answer, okay?

**Ms. Lisa MacLeod:** Well, I'm asking him a question.

**Hon. John Wilkinson:** No, actually, you're not letting me answer the question, and I'm here just to answer the question.

So when you convert the RST base to the HST base in the first full year, that is an increase in revenue of \$2.025 billion, and one has to net against that that the very same people paying that are receiving benefits by way of income tax. What they have is a \$1.2-billion cut to their personal income tax, \$860 million going by way of the Ontario sales tax credit, \$530 million by way of the Ontario energy and property tax credit—

**Ms. Lisa MacLeod:** The question is—and I've indulged this long enough—is 8% more on 17% more of the items mean there's going to be more taxes? That's a pretty simple question.

1630

**Hon. John Wilkinson:** There's going to be more sales taxes. There's more than one type of tax in Ontario, Ms. MacLeod.

**Ms. Lisa MacLeod:** Okay, but I've asked you the eight times 17.

**Hon. John Wilkinson:** In sales tax.

**Ms. Lisa MacLeod:** In sales tax. And I have just asked you that question.

**Hon. John Wilkinson:** I answered that question. That's actually—

**Ms. Lisa MacLeod:** No, you didn't actually answer the question.

**Hon. John Wilkinson:** We voted for that.

**Ms. Lisa MacLeod:** You didn't actually answer it.

**The Vice-Chair (Mr. Robert Bailey):** Well, the minister gave an answer, so new question.

**Ms. Lisa MacLeod:** I guess the final thing is, we've been calling in the—actually, how much time do I have?

**The Vice-Chair (Mr. Robert Bailey):** Five minutes.

**Ms. Lisa MacLeod:** Five minutes. We've been calling in the Ontario Legislature for another vote to delay this because you did mention a referendum, and of course

when you brought forward the health tax—which is a tax, and you had to go to court and it was expected to be a premium but it really wasn't a premium—you raised taxes then. This is now a new sales tax, you're going to take in more money as a result of this new sales tax, and you're ignoring the Taxpayer Protection Act. The question then becomes, when we asked two or three weeks ago to have another vote in the Ontario Legislature on delaying this tax until you actually had a mandate from the people, why did your party oppose us being allowed to have that vote?

**Hon. John Wilkinson:** First of all, we have a signed agreement with the federal government, and when we sign something with another level of government we make sure we hold to that.

I can assure you, Ms. MacLeod, that we actually have a mandate from the people. There was an election in 2003; there was an election in 2007. We have a mandate to govern. No one predicted that that—

**Ms. Lisa MacLeod:** You don't have a mandate to raise taxes. In the last election, Dalton McGuinty said, "I won't raise your taxes; I won't lower them, either." You don't have a mandate to raise taxes. You signed an agreement with the federal government without a mandate to raise people's taxes. I remember the ads quite clearly in both 2003 and 2007.

**Hon. John Wilkinson:** That's a statement. Do you have a question?

**The Vice-Chair (Mr. Robert Bailey):** Can we get back to the estimates, okay? The estimates.

**Ms. Lisa MacLeod:** The reality is, the estimates on his department derive almost exclusively around this comprehensive tax package that they're trying to sell to the public. Not only are they trying to sell it to the public in forums like these which are free to the viewing public to see, because it's in the normal operations of this chamber, but then they're also going out on taxpayer money into opposition ridings to do political events. They've engaged in political advertising, some of which has been rescinded by the Auditor General as too partisan. We can only expect, in the days and weeks ahead leading up to the single largest sales tax increase in Ontario's history, that more of this stuff is going to happen. So if this minister is not accountable for that, then who is? Through his estimates I would argue that this is the appropriate place to ask these types of questions.

Yesterday, we talked an awful lot about the job numbers and how your job numbers just don't stand up because you've been unable to share with us your modelling. Again, the Jack Mintz report came after you had signed the agreement or—sorry, actually had the epiphany that you were going to move forward with this. I remind you, in February of 2009, Dwight Duncan was publicly saying he wasn't going to proceed with the HST; a month later it appears in a budget statement.

**The Vice-Chair (Mr. Robert Bailey):** Two minutes.

**Ms. Lisa MacLeod:** So this is the problem: First of all, we talk about the economic modelling, we talk about the job numbers that don't hold water, we talk about the

so-called comprehensive tax plan that they're trying to tell us is the largest tax cut in Ontario's history when we know it's not, when you look at the numbers, when you compare where Ernie Eves was in 2002-03, where he would have been in 2003-04, and where they are today.

This is a government that has raised people's taxes so they could reduce them by a little bit and then go around the countryside with your tax dollars, my tax dollars and the entire viewing public's tax dollars to sell it. They've done it in a very sneaky way. They did it in a way that excluded people from coming to this chamber and now they're going, in the last three weeks—I guess in the last four weeks, a month before this province is going to be forced to pay this tax, and they're going out to try and sell it now. And while they're doing it, they're smearing my leader, Tim Hudak.

**The Vice-Chair (Mr. Robert Bailey):** Less than one minute.

**Ms. Lisa MacLeod:** The reality is, unless my colleague has a question—would you like a question?

**Mr. Randy Hillier:** Yes. Sure.

**The Vice-Chair (Mr. Robert Bailey):** We've only got 30 seconds.

**Mr. Randy Hillier:** This agreement removes Ontario's jurisdiction regarding direct taxation in this province. I'm wondering, Minister: Can you tell me how this agreement will affect subsequent and future administrations on their ability to raise and lower sales taxes or provide exemptions?

**Hon. John Wilkinson:** That's a very good question.

*Interjection.*

**Hon. John Wilkinson:** What I'll do is ensure, one, that we table the CITCA agreement, and I'd be more than happy to answer your question on the next rotation just so I can give you a fulsome answer.

**The Vice-Chair (Mr. Robert Bailey):** Time's up. We'll move to Mr. Tabuns of the third party.

**Mr. Peter Tabuns:** Minister, I'm just going back to a question I asked yesterday, and I wasn't pleased with the answer then. I'm going to try and get something more concrete today. How much revenue does the government expect to raise as a result of the new tax on gasoline, oil and utilities?

**Hon. John Wilkinson:** Well, broadly speaking, it depends on the consumption of the people of Ontario, and that's a variable thing—

**Mr. Peter Tabuns:** Sorry, in the aggregate for the province as a whole.

**Hon. John Wilkinson:** The easiest way to say it is that it would be 8% on top of the existing price of gasoline. Of course, from then on it depends on what the actual price of gasoline is, but 8% is reasonable. But you did ask the question about, on the private sector side of energy, whether or not there would be cost savings and whether they'd be passed through.

They're part of a marketplace. On the ones that are regulated by the government, of course, they're regulated, and those people have to come, when it comes to natural gas and electricity, I'm thinking—they actually



have to go to the appropriate authority and justify any increase or decrease. So, of course, those are the types of questions the regulators have to ask about their cost savings as a result of comprehensive tax reform.

**Mr. Peter Tabuns:** So you're saying there will be an 8% increase on top of the cost of gasoline, oil, natural gas and electricity in this province?

**Hon. John Wilkinson:** And I've always said "energy"; 8% on energy is fair—

**Mr. Peter Tabuns:** I'll take energy.

**Hon. John Wilkinson:** If it ends up being a little bit less, I'd rather be cautious about that, and just try to be as fulsome as possible.

**Mr. Peter Tabuns:** When I look at the numbers in Modernizing Ontario's Tax System for Jobs and Growth, page 15, the table shows the relief to mining, utilities, oil and gas, and unfortunately, mining isn't broken out, so I can't say what the value is to mining. The relief from sales tax will be worth \$105 million to that sector. The figure that I have from Ralph Torrie, who has worked for your Premier doing his climate change plan and works for the company Navigant, is that Ontario spends somewhere between \$36 billion and \$40 billion a year on energy. So, 8% of, let's say, \$40 billion, is about \$3.2 billion in increased costs for energy in this province. Do you have numbers that would be different from that?

**Hon. John Wilkinson:** Of course, that same company, they do buy energy, but they also have the benefits of the fact that they have embedded retail sales tax in almost all of their operations. As well, we have the elimination of the capital tax. You're talking about industries that have that as well. They have the benefit of having a reduction in their corporate taxes. Of course, the work done by the Minister of Finance in 2009 was showing, and I think broke down, overall what the impact is to various sectors. Those sectors, I think, come from StatsCan as kind of a standard way of looking at sectors in the economy, so we've broken it out that way.

**Mr. Peter Tabuns:** The same table that I cited, your table, shows the corporate income tax reduction and the capital tax reduction combined with the HST benefit: \$315 million, and, unless you have figures to the contrary, my calculation is about \$3.2 billion more in taxes on energy, so it'll be about \$3 billion—\$2.9 billion—\$3 billion more that Ontarians will pay for energy because of your tax. Do you have figures that show a different number?

**Hon. John Wilkinson:** Maybe I might ask my assistant deputy minister, who works a lot on that, to give you some greater clarity.

**Mr. Bob Laramy:** I'm looking at the chart, which I believe is the table you're referring to, which breaks it down by sector, by—

**Mr. Peter Tabuns:** Yes, table 2.

**Mr. Bob Laramy:** I have table 2, and this is actually in the fall economic statement of 2009. You're looking at the mining, utilities, oil and gas?

**Mr. Peter Tabuns:** —oil and gas, correct.

**Mr. Bob Laramy:** That \$105-million number actually reflects the input tax credit savings that that industry is going to get. So that would be, if you like, the embedded sales tax that they're currently paying today.

**1640**

**Mr. Peter Tabuns:** Correct. Absolutely. And which they will be relieved from in future.

**Mr. Bob Laramy:** Exactly.

**Mr. Peter Tabuns:** And which you might argue would be passed on 100% to the consumer. I don't believe that, but you could make that argument. So that's one.

**Mr. Bob Laramy:** In addition to that, there is a \$110-million income tax—

**Mr. Peter Tabuns:** Right.

**Mr. Bob Laramy:** —any capital tax saving, all of which totals \$315 million in that particular sector.

**Mr. Peter Tabuns:** Right. And if the market was such that they passed on 100% of their savings and at the same time people paid 8% more for energy in this province, they would be paying \$2.9 billion to \$3 billion more for energy than they're paying today, based on what the minister said a few minutes ago. Do you have calculations that show a different number?

**Hon. John Wilkinson:** I think what I find most informative is the work done by TD Economics around that same time, because you have to take into account that there is embedded sales tax. According to—

**Mr. Peter Tabuns:** Yes, and you've quantified it here.

**Hon. John Wilkinson:** Some \$6.9 billion, I think—that's BC. In Ontario, I think it's about \$5.3 billion. When you're looking at this tax reform, it is important to take a look at: What are we paying now under the old system, what more will we pay under the new system in sales tax—

**Mr. Peter Tabuns:** No, Minister, I'm using your number already. You've identified the embedded sales tax for mining, utilities, oil and gas—I'll roll in mining; it overstates the number, but I'll roll it in—as \$105 million. That's the embedded sales tax they are going to be relieved from. Consumers, on the other hand, are going to be paying about \$3.2 billion more for energy than they were in the past.

Even if—

**Hon. John Wilkinson:** That's your estimate. Run that by me again, how you got \$3.2 billion.

**Mr. Peter Tabuns:** If we pay about \$40 billion a year in Ontario for energy in the aggregate, 8% of that is about \$3.2 billion.

**Hon. John Wilkinson:** And your source is a guy named Ralph?

**Mr. Peter Tabuns:** Ralph Torrie, who works for Navigant and has previously worked for your Premier's office developing your climate change plan. He's a well-respected energy analyst in Canada. I asked him to do a calculation for me: What is the total value of energy consumed in Ontario? It's about \$36 billion to \$40 billion, depending on the price of oil.

**Mr. Bob Laramy:** Expended on energy—is that at the business level or at the individual level? At the business

level, of course, they're going to get input tax credits throughout the system. So when you say "consumption," are you talking individuals or are you talking business?

**Mr. Peter Tabuns:** I'm talking about the province as a whole, so the total sales.

**Mr. Bob Laramy:** I appreciate that. I think where you're going is to the individual. Does he have the number to the actual end consumer? Has he broken that out?

**Mr. Peter Tabuns:** No, he didn't do it on that basis—total value of sales.

**Mr. Bob Laramy:** Fair enough.

**Mr. Peter Tabuns:** So if you have numbers that are different—because you, Minister, are the primary spokesperson for the government on HST in this province. You've been travelling around; you've been selling it. You are the most familiar person—

**Hon. John Wilkinson:** Educating people, I like to think.

**Mr. Peter Tabuns:** Whatever word you'd like; I'll even take that. You're educating them, so I assume that you, in turn, have been educated and you know the value. What is the cost in the aggregate to Ontarians of the HST on energy?

**Hon. John Wilkinson:** We'll endeavour to get that for you.

**Mr. Peter Tabuns:** I understand that you already have that information. We submitted a freedom-of-information request, and in documents submitted in the appeal process the government says, "Record number 3 is the table setting out an estimate of the increased provincial revenues that would result from the imposition of HST on certain energy sources." In other words, Minister, your government has those numbers. Will you table those today? You've already done the calculations. I've given you my calculation; you have a different one. Will you table it so the people of Ontario will know what it's going to cost?

**Hon. John Wilkinson:** As I was mentioning, I'm here as the Minister of Revenue, responsible for the Ministry of Revenue. If you have a freedom-of-information request to the Minister of Finance for work that was done by his ministry—I can assure you, it has not been done by my ministry. I have to be responsible for the work of my ministry. If you have a freedom-of-information request to the Ministry of Finance, that will go through the process under the law for you to be able to get that. If you have a subsequent question to the Minister of Finance, you have the ability to ask him a question in the House, to write him a question, and I believe the Minister of Finance is attending this committee after my appearance.

**Mr. Peter Tabuns:** I understand that you are the primary spokesperson on the HST. Is that correct or not correct?

**Hon. John Wilkinson:** I've been given the task of both implementing and communicating the largest tax reform in 40 years. I've said that since the day I was appointed.

**Mr. Peter Tabuns:** Right, and I understand that, which is why I ask you this question, because you are the point person. You're the person to go to to answer questions on the HST, clarify the fog of confusion that exists out there, bring in the bright ray of sunshine. I'd like you to bring in that bright ray right here on energy costs. What are Ontarians going to pay?

**Hon. John Wilkinson:** After July 1, when the RST base is broadened by the HST, two broad sectors, energy and services—we've been saying that. When it comes to energy, that's the 8%. So, 83% of things aren't changing, which some people have heard otherwise—that's not changing, and there are many things that aren't changing. But energy, we've been very clear, is one of them. What it means to the consumer is, "Well, how much energy do I consume and what does 8% more mean?" They need to calculate that and then compare that to what their income tax savings are.

Again, as you and I have discussed, even two people with exactly the same tax situation can have very widely different consumption patterns. So that goes to the question of what the averages are.

But we do know that we've had a number of economists who've looked at it in aggregate. For example, Don Drummond from TD said, "What is the overall impact on inflation?" In other words, you've got this shift in tax. Is there an impact on inflation? He was quite clear. He said that it would be 0.7% of 1%, but that is the overall impact in the first year. Of course, we've linked that to our website to make sure that that is public.

But again, we're looking at a situation where we're trying to make sure that we have a competitive economy that's generating the jobs and wealth required to have a tax base to pay for the public services that we value.

Did you want to add something?

**Mr. Bob Laramy:** In terms of the reviews and the studies that are out there, the ones that are referred to by the government, they're all peer-reviewed, as I'm sure you're well aware, in terms—

**Mr. Peter Tabuns:** That wasn't what I was asking—

**Mr. Bob Laramy:** No, no, I appreciate that.

**Mr. Peter Tabuns:** I was asking about the impact on energy.

**Mr. Bob Laramy:** I'm just sort of following up on the point that I was asking about, the number you quoted, and whether or not—I'm sorry. Was it Ralph Torrie that you—

**Mr. Peter Tabuns:** Yes.

**Mr. Bob Laramy:** Okay—whether or not he actually broke out the "to individuals" and "to business." I'm wondering: Has that study he did been peer-reviewed as well?

**Mr. Peter Tabuns:** No, it has not been peer-reviewed, which is why I'm saying to you, if you have a different number, and I understand you have a different number, present the number.

**Mr. Bob Laramy:** Okay. Thank you.

**Mr. Peter Tabuns:** But I'm glad you raised Don Drummond. In a September 28, 2009, TD Bank report,



the Impact of Sales Tax Harmonization in Ontario and BC on Canadian Inflation, he said that the effective rate on consumption would increase by 1.5 percentage points, resulting in a net permanent impact on prices of 0.7% in both Ontario and BC and 4% nationally.

So, in fact, what you've done is put in place a permanent increase in prices. This isn't something that's going to drop in a few years. Drummond or TD Bank conclude—now, I differ from them on this. It doesn't make sense to me. I don't see businesses behaving that way. He says that in fact cost savings will be passed on, but he doesn't say that all of them will be passed on. He says that the study concluded that while the majority of business cost savings would be passed on to consumers, there would be, in the end, a 0.7% permanent increase in prices for consumers.

You've been telling us all along that in fact it's all neutral, that it won't result in a price increase, but in fact for consumers, even the consultants you use say there's an ongoing and permanent increase in costs.

**Hon. John Wilkinson:** And there's an ongoing permanent cut in income taxes. So you have to look at those two things.

**Mr. Peter Tabuns:** There is a cut in the first few years—

**Hon. John Wilkinson:** Permanent.

**Mr. Peter Tabuns:** No, no, no. There is a cut in the first few years that's substantial, and then that diminishes. You have funds that have been given to you by the federal government to "soften" the impact in the first few years. Even looking at your own numbers, Minister, going back to—I think it's page 158 here: the reduction, \$4.9 billion in 2010-11, then drops to \$4 billion in 2011, then drops to \$2.7 billion in 2012.

You have temporary money. You're spending it in the transition period, as you put it, but in the end those increases are going to affect people who pay tax and who don't pay tax. There's going to be a permanent change in the cost structure in this economy. Why have you not recognized that and said to people, "Look, we are going to permanently put prices higher in Ontario?"

**Hon. John Wilkinson:** We've been very clear, and you haven't attended all of my, I think, 100 appearances here in the province of Ontario, but what I could tell you—

**Mr. Peter Tabuns:** No, I tried, but—

**Hon. John Wilkinson:** What I can tell you is that we've been very clear that when we're going to change our tax system, we're going to rely more on consumption tax and less on income tax and corporate tax, which is what our competitors have done.

1650

It's what thoughtful people have been telling governments of all different stripes to do for the last 20 years in this province. I had an opportunity to talk to a number of former Premiers who entered into those types of discussions with the federal government, and there was never this ability to find common ground to strengthen our economy.

They all agreed that to be able to do that puts us in a position where the consumer is making choices, and they know exactly what their sales tax is. It's apparent, it's transparent, and they only pay it once on the total value, as opposed to having a hidden, embedded tax where we're getting more taxes than people can see because it's buried in the price. That's why we go to a value-added tax.

We take that money and permanently cut income taxes for people.

Don Drummond is absolutely right: The CPI this year is an increase on the CPI of last year. If you do it once, it is permanent; in other words, it's there. He's not saying it's temporary, but he didn't say it was cumulative either. What he said is, in that first year, and then all other CPIs are based on the previous year. He didn't say it was cumulative, but it's going to be there.

What we've done is—and this is where I think we've reached this agreement, the federal government understanding that it will take time for the value chain to re-price itself, for the market forces to force prices down and to take this additional money and ensure that people are getting the best value.

We need to support the consumers. That's why some \$3.9 billion is going tax-free into the wallets of millions of consumers in the first year, not for people at the high end, but for people who have very modest means and people who are middle-class, because that first year is the difficult year of transition. We need to be able to support the consumer.

As I've said to the small business people, their major concern is—once they've talked to their accountants, they said, "Wait a minute. I'm better under this system." They all agree with that. The only question is, "Wait a minute: If my consumers are unhappy, that's never good for business."

**Mr. Peter Tabuns:** That's true.

**Hon. John Wilkinson:** So what are we doing in that first year to make sure that we're supporting the consumer? For example, there's a personal income tax cut for the vast majority of people who make up to \$37,000 a year and beyond. There's that personal income tax. I think I get paid once a month. They withhold my tax every month. I started receiving the benefit in January. There are many seniors who don't pay their taxes, because they're not required to actually send any money, until next March or next April on this year's income. Even if we cut taxes in January 2010, that person may not receive the full benefit until April 2011, so that's why—

**Mr. Peter Tabuns:** Minister?

**Hon. John Wilkinson:** —it's important in that first year, as these permanent tax cuts—

**Mr. Peter Tabuns:** I appreciate your thoroughness.

**Hon. John Wilkinson:** —work their way through, that we use that federal money and make sure it goes to the consumer.

**Mr. Peter Tabuns:** In terms of the new tax revenue, what are the top three sectors from which the revenue

will come? You're extending the tax to cover 17% of total purchases that in the past weren't covered.

**The Vice-Chair (Mr. Robert Bailey):** Two minutes.

**Mr. Peter Tabuns:** My assumption is that the bulk of it is going to come from energy. Where, in your opinion, are the top three sources of the new revenue going to come from?

**Hon. John Wilkinson:** If I might help out, Mr. Tabuns, you have to remember that when we're looking at the RST, it is not 8%. It's 8% plus all the other 8% on 8%. That's that embedded tax. That's that \$4.5 billion—

**Mr. Peter Tabuns:** I understand—

**Hon. John Wilkinson:**—just so we're apples to apples. When we look at that, on the 83%, there's going to be a decrease because we're getting rid of the embedded tax. Then we're broadening the base: overall, RST versus HST first full year of implementation, \$2 billion more; permanent tax cuts, more than that—permanent. That's what in the—

**Mr. Peter Tabuns:** What are your top three sources of revenue from this 17%?

**The Vice-Chair (Mr. Robert Bailey):** A minute and a half.

**Hon. John Wilkinson:** Well, it's energy and services, and I would assume that energy is more than services, but we can try to get some clarity on that. I'm not an economist or econometric—

**Mr. Peter Tabuns:** I would appreciate clarity. If you'll make a commitment to let us know where the new sources of revenue are coming through, the top three.

**Hon. John Wilkinson:** It would be energy and services. Yes.

**The Vice-Chair (Mr. Robert Bailey):** One minute.

**Mr. Peter Tabuns:** There's not a third? Energy, services and?

**Hon. John Wilkinson:** Well, just broadly speaking. When I have an opportunity to speak to people, I want to make sure they can narrow in. They say, "Well, that means gasoline, home heating, electricity?" "Yeah, energy"—so people understand what that is.

Then services, services that aren't already taxed under the PST—because if they already are, they're already paying 8%; actually, 8% plus embedded in that price 8% on 8% on 8% on 8%. That's what's coming out of the system. So I have to broaden the tax base. When people say we should have lowered the rate, you have to understand that by going to a value-added tax, that's an efficient tax. There is no hidden tax on tax; it's all in that one tax bill to the final consumer. Every time the consumer pays, that's what it is, because any tax previously paid is taken out of the system by way of input tax credit.

**Mr. Peter Tabuns:** So the HST won't apply to the gasoline taxes in the gasoline price?

**Hon. John Wilkinson:** It will. I've had an opportunity to tell people that we may be able to get \$4.5 billion of hidden tax on tax out of the system, but we can't seem to eat the entire elephant in one sitting. Again, in principle, we're trying to get rid of tax on tax.

**The Vice-Chair (Mr. Robert Bailey):** Okay, Minister, time's up. Thank you.

Mr. Delaney, please.

**Mr. Bob Delaney:** Minister, I'm going to end up asking you kind of an open-ended question, but if you'll indulge me, I'd like to do a bit of a preamble before I do. I think a lot of the discussion that I've heard here has focused on something that is for all the world a relic of the Cold War. The Ontario provincial sales tax, retail sales tax—call it what you wish—began life under the stewardship of the government of Premier Leslie Frost, and a brand new Premier in 1961, John Robarts, actually finished the job and implemented what was then a 3% provincial sales tax. At that point, in the spring of 1961, what did the world look like? John F. Kennedy had been in office only 18 months; John Diefenbaker was Canada's Prime Minister; from out where I come from, a very young Bill Davis, in his first term, was only beginning his third year in office; at that time, it had only been about a decade since the Toronto Maple Leafs had last won the Stanley Cup, and indeed they had four Stanley Cups ahead of them.

**Hon. John Wilkinson:** And that was it.

**Mr. Bob Delaney:** In fact, to continue that analogy, the Chicago Blackhawks had just won the Stanley Cup in the spring of 1961, defeating the Detroit Red Wings. I was, by coincidence, on the phone with an old friend of mine from Chicago just recently—

**Mr. Randy Hillier:** This is estimates, isn't it?

**Mr. Bob Delaney:**—and those superstitious Hawks fans with grey hair and long memories are in fact rooting for the HST implementation in Ontario and hoping that history repeats itself.

When we ask ourselves about a relic like the provincial sales tax circa 1961, I think we could also ask ourselves, just to put it into a bit of perspective: Are we still wearing the same wardrobe that we wore in 1961? Do we drive the car that we drove in 1961? Do we use the tools or the household appliances that we used in 1961? In fact, they're self-evident questions because of course the answer is that we don't, and the world has moved on and changed over numerous times since then. Nonetheless, we today are left with this Cold War relic.

In fact, at the time that the PST was first implemented, there was no such thing as the expression "service sector" in the modern English lexicon. Goods, such as they were, were tangible, and export, even outside the province, was very much the exception and not the rule. So it's become a smaller world; it's become a more interconnected world. The value chains have become much longer, much more complex, and such as it is, those things that constitute value are now a blend of services, things that could not have been foreseen at the time.

The concept of the PST was conceived in the early 1960s, and in this manner, when we look at the way that the existing provincial sales tax is structured, it really can't be amended or tweaked or fixed or improved or augmented in any way and made to work in the modern world. The PST is an anachronism. It's obsolete, it's



expensive, it's cumbersome, it's duplicative, and in the context of the 21st century it is a stupid way to raise money through taxation. It can't and it shouldn't be saved. It's a job killer. It costs businesses in Ontario \$500 million annually in paper-shuffling costs. It means that input tax credits, which are the hallmark of a value-added tax, which people all over the world are familiar with—they certainly know it in Europe; they certainly know it in Asia—in which the tax that you pay on the things that pass through your hands on the way to their final consumption are, in fact, reimbursed. Those input tax credits in the PST are simply stuck in the system. It means that the vendor has to eat them, and that's simply wrong. It's unacceptable. It makes our businesses uncompetitive. It means higher prices for people. It means lost jobs. It means companies don't come here.

1700

In the context of our discussion, over the weeks and months since, I've heard suggestions about whether the government did and didn't do consultation. So while we've been sitting here, I was just jotting down some of the consultations that I know I've done. After the 2009 budget announced the fact that Ontario would move toward a value-added tax—it didn't even have a name at the time—the very next day in Mississauga we had a budget breakfast that was attended by some 300 people. It was open to everybody, as all of ours are.

In the past year, both with my fellow MPPs and doing another one, which was by demand in northwest Mississauga, we put another 300 people in the room. All of them were very lively sessions and all of them confirmed what we who have gone out to talk about this have found: that people realize that the world has moved on. People realize that there's another way to do it. People say, "Explain it to me." They're not saying that initially. They're either for or against, but they are saying, "Explain this to me. Show it to me rationally. Let me make a decision based on the facts."

Just thinking of some of the ones that I've done, I know I went to every single seniors' group in western Mississauga—every one of them, some of them more than once. You, Minister, have been to the Mississauga Board of Trade, as have I. I've been to many of the ethnic business groups. I've talked to student groups. I've attended and called public meetings. I've met with condo owners. I've talked with farmers and builders. I've talked with equipment dealers and funeral directors. The last time we did an informal count among the government members, I think our public consultations numbered in the hundreds—certainly the most extensive round of public consultations in the province.

As I do every year, I visited 1,000 businesses in western Mississauga over the span of a few weeks and I talked about this. We had a chance to sit down and ask just about anything that people wanted to ask.

One of the things that businesses, as they came to look at the reality of Ontario's proposal, began to understand is that in the context of a North American market the proposals laid before the people of Ontario are going to

give Ontario's companies and the people who work for them and the careers they build a permanent competitive advantage over the United States—a permanent one. For example, what many manufacturers—and we have a lot of those businesses in Mississauga—are saying is that this will allow them to sell in Ontario at the same price that they sell outside of Canada, because they can flow through their input tax credits.

I spoke to a lot of people who are service providers. As you go out and you do your retail visits, as I do very regularly, I'm always surprised at the number of places that I had never seen before. I'm amazed at the market for personal services, whether they be nails or hair or spas or whatever. I'm just going to use one as an example. I spent a little bit of time chatting with the proprietors and the customers in some of these establishments on a fairly slow day, when I had the opportunity to sit down with some of the customers and just say, "Talk to me, because I'm here and I'm the government and I'll answer your questions." So we got into it, and one of the things that some of the proprietors of the businesses didn't grasp is that, effective when the two taxes are blended—and for all practical purposes, there's just one, and it's the GST. They didn't realize that on the purchase of hair and skin care products, all of the taxes that they pay on those, which represent a big part of their business inputs—remember, I'm talking about fairly simple businesses in terms of their structure and business model. I'm looking at the things that they consume, and there are a lot of consumables. They didn't realize that they had to eat all the sales tax that they were paying on those hair and skin care products.

They hadn't counted up the provincial sales tax—retail sales tax—that they were eating on computer equipment; business supplies; some of the equipment that they use in their shop, be it a vacuum cleaner or whatever; cleaning products, soap, laundry, consumables; linen; transportation; renovations; and purchases of furniture. In this one case I asked the guy, and he was curious enough to start digging it out and start doing a very quick back-of-the-envelope addition. He thought, "Oh, my God. I'm stuck eating 8% of that," and I said, "Yes, and that 8% is simply going to go away."

When we've done our budget consultations, I've normally invited an independent auditor to come in and do them and to actually preface them by commenting on the government's budget. We've invited them down here, put them in the lock-up and said, "Go off and do your own thing, and just come in and talk to us tomorrow. You lead off; the MPPs will follow. Then we'll take questions."

In 2009, the senior tax partner who came and spoke with us—this was the end of March, of course. He thanked us for the chance to go down to the budget lockup. He'd never been in a budget lockup. He said it was really interesting. He watched the budget; again, it was something that he'd never done. He said, "I'm just going in to do my clients' taxes, so I'll see you in about six weeks." I said, "Fine."

True to his word, we saw him about six weeks later, and he said, "This was really an interesting exercise." What he said is, "I was doing my clients' taxes and I was doing a pro forma, 'This is what you have now; this is what you're going to have, post-implementation.'" He said that as a rule of thumb, a business can find somewhere between around 0.8 of 1% and upwards of 5%, and if you want to do a working average, you can use either 1% or 2%, depending on how aggressive you want to be. There's that much of their total business costs that's stuck—embedded—in PST. It's just stuck there. He said that when you take your total business costs and you subtract—and you can pick the figure you want but it will be somewhere in that range—that figure simply goes away, and you factor in as well the reduction in your business income taxes, the elimination of the capital tax, all of the other tax benefits, he said that what businesses are only going to begin to realize is the competitive advantage that they have, to be able to aggressively lower prices to compete for increased market share and to be able to do this while protecting whatever is important to them, be it their profit margin, be it their net income to them after taxes. He said that that depends on the business. It depends on where they are and what they're doing.

The businesses in western Mississauga—as I also discovered as I did my assignments as the parliamentary assistant—very quickly moved off of the "what" and the "why" in asking about the government's tax reforms. As we discovered as the months wore on, the "what" and the "why" turned into "when" and "how." We would be sitting down in forums, and most of the questions weren't, "Why are you doing this?" but, "How is it going to work?" and, "How will it apply in my case? What difference will it make?" and, "How is such-and-such a thing treated?"

I think one of the best ways to set the stage for Ontario businesses is just a very, very short quote in a document that I've often circulated, which is the study called Ontario's Bold Move to Create Jobs and Growth, and it is by Jack Mintz.

1710

I'm going to read the conclusion, and it's a very short one. It reads:

"The 2009 Ontario budget is a historic watershed in tax policy for the province. Both sales tax harmonization and a competitive corporate income tax rate will confer substantial benefits to Ontarians"—here's the key part—"for generations. The marginal effective tax rate on capital investments in Ontario will be cut almost in half, leading in the long run to a 20% increase (equivalent to \$47 billion) in capital investment, the creation of an estimated 591,000 net new jobs, and an increase in the annual incomes of Ontarians of as much as \$29.4 billion."

Minister, we haven't actually talked enough about something that I think really bears a little bit more elaboration. I'd like you to, in the time you have, expand a little bit on the benefits of flowing through the input tax credits for Ontario businesses.

**Hon. John Wilkinson:** I want to thank Mr. Delaney. Unlike the member for Nepean–Carleton, you actually gave me some time to answer a question, so I appreciate that.

**The Vice-Chair (Mr. Robert Bailey):** You've got four and a half minutes.

**Hon. John Wilkinson:** There was a 20-minute one where I actually didn't have a question from my friend from the opposition.

Mr. Delaney, because I've had an opportunity to get out and see businesses and to see people—it's really interesting. I went to see the construction industry, and I was quite surprised by how warm the reception was. I was trying to say to them, "What is the basis of this?" They said, "You have to understand something"—I know Mr. Hillier is going to like this.

In the province of Ontario, because we have this two-tax system, if you haul a load of sand, there is GST but you're PST-exempt as long as you go to my ministry and get an exemption certificate. We issue thousands and thousands of these exemption certificates, complying with thousands and thousands of pages of regulations. But if there is actually any salt in the sand—and I know you'll like this, Mr. Hillier—then you have to self-assess the PST on the portion of the load of sand that has salt. I know Mr. Hillier wants us to keep that system, but on July 1 we're getting rid of that system. We're just going to have the HST. It means that you pay the HST and then the company gets it all back by way of an input tax credit.

There are many examples about why it's important to get rid of thousands and thousands of pages of regulations on the old retail sales tax that had built up since the days of Leslie Frost and John Roberts. To be fair to them, of course, when they brought that in I think it was to pay for the community college system that we're all so proud of today. That was the reason for the Conservative government of that day to actually do that. Obviously, we've all benefited from the wisdom of that decision they made back when I was but two years old.

What I can say is that, yes, the world has moved on. The idea that we're paying people to issue exemption certificates based on thousands of regulations—rather, we should just have a system that our country and many countries around the world are already using, which is a value-added tax. It gets rid of that embedded tax, that hidden tax that's coming in to the government that people are really not seeing, using the example of a new home, where there is no PST but actually there is; it's buried in the price.

I would agree with Mr. Delaney that as I go out and understand just how complex the system is that we have today around the PST and why the business community sees the benefits of just dealing with one government, one set of rules, one rate, one set of auditors, one remittance—all of those types of things are of tremendous benefit. They'd rather be doing what they need to do to make the next sale, to be profitable. The amount of time that particularly small businesses have to take to be in



compliance—as my deputy was saying, we have 319,000 people registered as vendors under the PST; that whole system will, by and large, be gone on July 1, as long as you remit—

**The Vice-Chair (Mr. Robert Bailey):** A minute and a half.

**Hon. John Wilkinson:** There are examples, and I hope to share with you another example. I don't have enough time in this rotation.

As I've said, this is comprehensive. There is some fear out there, but I think as people tune in and try to understand what it means to them and their families and their businesses, as they get more facts and they know they can go to our website, like two million other people have done, to get the facts—what's changing, what's not changing, what are the benefits of the income tax to that particular family or business. They're coming to understand that that's something that we need to do, and that it's increasingly an untenable position to say that—I haven't heard anybody say, "What we really need to do is somehow keep the status-quo two-tax system." People instinctively know that one sales tax collected by one government at one rate—especially if it's a modern tax, a more efficient one—makes a lot more sense than those thousands of pages of regulations that have to do with how much salt is in the sand.

I'm not responsible for all of those, but a good chunk of those, I say to Mr. Hillier—and I know he'll welcome the day when we're able to get rid of those. Really, it's just duplicative, so that's why it's important for us to keep focused on creating an environment with 600,000 more jobs.

**The Vice-Chair (Mr. Robert Bailey):** Thank you, Minister. Time's up. Okay, we return to the official opposition for 20 minutes for their round.

**Ms. Lisa MacLeod:** Thank you, Minister.

**Hon. John Wilkinson:** Mr. Chair, did you want me to answer Mr. Hillier's question now?

*Interjection.*

**Hon. John Wilkinson:** Oh, okay.

**Ms. Lisa MacLeod:** I'm going to focus on a little bit of the HST and pocketbook issues.

**Hon. John Wilkinson:** Sure.

**Ms. Lisa MacLeod:** I'd like to just read a couple of excerpts from some various reports, and then I have a quick question for you.

The Canadian Taxpayers Federation's report Taxpayer Supply and Government Demand has a quote saying, "Applying the 8% HST to March 2010 pricing margins, Ontarians will pay nearly \$0.08/litre more at the pump than they otherwise would. In practical terms, this works out to nearly \$5 more at the pump every time an Ontarian fills up a mid-size car..." That's page 12 of the report.

The May 21 Statistics Canada consumer price index report says that in effect, the HST is six months' worth of increases in one day.

A May 4 Statistics Canada report points out that \$792 is the cost the average family is going to see in additional taxes each year.

That same day Mr. McGuinty said, "I think for families, at the outset, there will be an increase in taxation."

Finally, a TD Economics report, which you've cited on numerous occasions, says the overall price level will increase by 0.7%.

If you're relying on businesses passing on the savings to consumers once the HST is implemented, do you really believe they'll do this despite increased costs from the gas tax and its impact on inflation?

**Hon. John Wilkinson:** Yes, I do, because if they don't, they're going to lose sales. As I said, I was in business for over 20 years, and if you have the wrong price, you don't sell anything. It's a very competitive market. All of the businesses are saving money, starting on July 1. They have to make their own decisions, but business will respond to their consumers. That is crucial.

**Ms. Lisa MacLeod:** Okay, and that just brings me back to a point. First of all, Minister, what do you think is going to roll back, or reduce in price? What is going to reduce in price as of July 1? Do you have one item that you can guarantee?

**Hon. John Wilkinson:** As I was saying, Ms. MacLeod, the vast majority of things that we buy today already are taxed at 13%—5% plus 8%. But as I was discussing with Mr. Tabuns, it's really not 8% because there's embedded tax. That 8% is embedded in the value chain over and over again.

**Ms. Lisa MacLeod:** Just to take this one step further—

**Hon. John Wilkinson:** So I use the example of Canadian Tire.

**Ms. Lisa MacLeod:** Can you give me an item?

**Hon. John Wilkinson:** You go into Canadian Tire; almost everything in there is taxed at 13%. That is a very competitive market. Of course, what companies are going to need to do is understand that they're going to have consumers who are going to be extremely price-conscious.

I've been telling business communities, particularly through the chamber of commerce and others, that they need to be ready and understand the fact that their margin is being improved, and that if they want to keep their market share and protect it against others who are going to be first to the fishing hole with the worm, they'd better make sure that they reflect that in their price.

**Ms. Lisa MacLeod:** Have you done a study, then—yesterday we talked about modelling and how you hadn't seen an economic modelling report prior to the implementation of the HST. You said yesterday, I believe, that you still haven't seen one from the Ministry of Finance.

I guess the question I have is, have you seen a study internally by the government of Ontario that assesses the impact of the HST on the consumer price index? Have you seen that?

**Hon. John Wilkinson:** No. What I've seen is the one by TD, which is independent of the government.

**Ms. Lisa MacLeod:** So the province of Ontario has not done a study?

**Hon. John Wilkinson:** Your question was—

**Ms. Lisa MacLeod:** No, have you seen one?

**Hon. John Wilkinson:** Have I seen one—

**Ms. Lisa MacLeod:** I would assume, as the minister who's responsible for selling this, that you would have seen one.

**Hon. John Wilkinson:** Well, of course, as we've said, I'm not the Minister of Finance. I'm the Minister of Revenue.

1720

**Ms. Lisa MacLeod:** So the Minister of Finance doesn't share that information with you?

**Hon. John Wilkinson:** You can ask the Minister of Finance about any report that he commissioned or that his ministry has done, but I'm not aware of that because I'm not the Minister of Finance.

**Ms. Lisa MacLeod:** I guess the concern I would have, and I'm sure Peter Tabuns has it as well, because he did ask the question, and he probed you earlier on this: Who is the minister responsible for the implementation of the HST? And you indicated that it was you. You're the salesperson; you're the person who is carrying the ball—

**Hon. John Wilkinson:** Well, people call me a "salesperson." Like I said, I kind of tend, myself, to be an educator on this file.

**Ms. Lisa MacLeod:** It's somewhat troubling, I think, to be here, to say that, in some very important information that one would expect the Minister of Finance would share with you on economic modelling and what the impact this tax would have to the CPI—we would assume you would have access to that information. Why wouldn't you have access to that information from your own government?

**Hon. John Wilkinson:** I can tell you that the Minister of Health and Long-Term Care does not share any of the studies that she has, or the Minister of Children and Youth Services, or the Minister of Natural Resources. In a British parliamentary system, ministers are responsible for their ministry, so I'm here defending, as we say, the estimates of my ministry. I don't think I've had a lot of questions about my estimates, but anyway. But it is about tax reform.

**Ms. Lisa MacLeod:** They're all relevant to the running of your department, right? I can't believe that you haven't even commissioned on your own a study within your own department on the CPI. Does this type of report exist within the government?

**Hon. John Wilkinson:** You're asking me about any work that would have been done by the office—I think it's called OBT, deputy?

**Ms. Carol Layton:** Yes, Ontario Office of the Budget and Taxation.

**Hon. John Wilkinson:** That's right. So there is a whole department at the Ministry of Finance where our economic people work on behalf of the government of Ontario. They do a wonderful job, and they advise the Minister of Finance, not the Minister of Revenue. I think there was that issue that came up—I think it was the NDP who spent \$2,500 to rent the software from StatsCan,

then put their own information in to try it out and then drew their own conclusions. So I know there is some question about that StatsCan data and whether or not we could correct the record on that. But, again, I would do that in consultation with the Minister of Finance.

**Ms. Lisa MacLeod:** Again, I think it's troubling that you wouldn't have been provided with that information, because it's more than possible that the increase in the gas tax is going to increase the cost of getting goods to market. I don't know how anybody could stand here and justifiably and credibly say that this extra 8% is not going to impact prices and it's only going to have a positive impact. So, I guess—

**Hon. John Wilkinson:** Well, as I said, Ms. MacLeod, we're getting rid of \$4.5 billion worth of embedded tax, and I know about that embedded tax because it's PST. I know that our consumers have been paying it and through businesses remitting it to us. So we know what the tax on tax is. That's something that I am responsible for as the Minister of Revenue. That's the existing tax that we're going to get rid of and replace with the new harmonized sales tax.

Again, what we're trying to do is make Ontario more competitive so that we have more jobs. I think all of us would agree that an Ontario with more jobs is a good thing.

**Ms. Lisa MacLeod:** But you don't, then, have a model that shows that raising the cost of the number one driver of the consumer price index, which is gas, isn't going to raise prices on anything? You don't have a study that you can table with this committee that is not TD and not Jack Mintz but from the ministry that would have come earlier, before this tax was actually put forward in your 2009 budget?

**Hon. John Wilkinson:** I think what I have from my good friend, the Minister of Finance—again, I can always speak to things that are in the public record; I'm looking on page 74 of the 2010 Ontario budget. We're looking at table 5, where it clearly shows how, because of the recession, our economy took a tremendous hit, and that since we've said that we're going to reform our tax system, we've been in a position where we've been adding net new jobs, at the moment, at a record clip; and that, actually, even these economic projections from the people that you're talking about, the people who work for the Minister of Finance at OBT, are all being exceeded today based on what's coming out of both the OECD and the Conference Board of Canada.

So the reality, even then, if we look at just a few months ago, is just the dynamic shift that's going on in our economy, from the fact that, as the manufacturing heartland, we were particularly hard hit by a global recession because we export so much around the world, and the fact that this rebound that is happening, which is really, in part, driven by governments understanding what their function is in this type of unprecedented situation.

**Ms. Lisa MacLeod:** Just to go back to this: I want a definitive answer on this. You, as Minister of Revenue, have never undertaken a study, through your staff, on



what the impact of the new tax on gas will have on the CPI?

**Hon. John Wilkinson:** Overall? Or just on gasoline, or all energy—

**Ms. Lisa MacLeod:** Gas or anything, but I guess I'm talking at this point, Minister, about the major indicator.

**Hon. John Wilkinson:** I know my assistant deputy minister understands the studies that we have used and that have been published. They're in the public record. I can speak to those. They're from the Ministry of Finance but they're public and so of course I have no problem sharing them here.

**Mr. Bob Laramy:** Again, these were ones that we talked about yesterday, and they were in the—the booklet I'm looking at is the fall economic statement. They talk about the case-study savings that are broken down by various individuals, families, single parents, as well as businesses. There are several business case studies as well. We've used those. Those are provided by finance and they're in the public domain. We've used them extensively.

I might also point out too that there were a lot of international calls for harmonization prior to the budget—

**Ms. Lisa MacLeod:** Thank you, deputy. Minister, I really appreciate that. What I'm looking for is: Before you guys decided to put the oar in the water, did you assess the conditions? I guess what I'm hearing is no. If that's not the case, I'd like you to provide us with that. Had the Ministry of Revenue and the Ministry of Finance, before they actually put that in the 2009 budget book, done an economic modelling practice to discuss the major indicator, which is gas, and the 8% increases in taxes towards the CPI?

**Hon. John Wilkinson:** To your question: In the period of time that you're discussing, there wasn't a Minister of Revenue. There was a Minister of Finance and Revenue. That's the Honourable Dwight Duncan. You're asking a question about a ministry that I was not—at that time I was the Minister of Research and Innovation.

**Ms. Lisa MacLeod:** Sure, and there was a minister. Minister Chan was revenue at the time, and Monique Smith was, but—

**Hon. John Wilkinson:** In the period of time you're talking about, the 2009 budget, preparing that and the negotiations with Minister Flaherty, they were conducted by Minister Duncan. There was a Ministry of Revenue created in June of last year, and I was appointed by the Premier to be that minister of a stand-alone ministry. So the period of time that you're talking about is a period of time when I definitely wasn't the minister. I know that that minister is going to appear before this committee next and I know that they're—

**Ms. Lisa MacLeod:** Back to Peter Tabuns's question.

**Mr. Peter Tabuns:** Tabuns.

**Ms. Lisa MacLeod:** Tabuns. I apologize. It's my Gaelic tongue. The reality is: Who is in charge of the HST file? Is it you or is it Dwight Duncan?

**Hon. John Wilkinson:** When it comes to tax policy, that is the Minister of Finance—what are the tax laws? When it comes to the collection of tax or an agreement that we would have in regard to the relationship between Ontario and Canada in regard to personal income tax, corporate tax, sales tax, that falls to me as the Minister of Revenue. I can't collect what is not a tax that has been approved by the Legislature, and that comes from the Minister of Finance, because that's the job of the Minister of Finance. Tax policy is his job.

**Ms. Lisa MacLeod:** Okay, so what exactly is your job? Just to collect the money and sell this tax?

**Hon. John Wilkinson:** My job as the Minister of Revenue, let alone all of the—and you see that, of course, in my estimates—various taxes that we have and the benefits, I might add, that we pay to people, because we're also in charge of benefit payments, including things like the Gains program. I'm responsible for that. While doing that, I've been asked by the Premier to implement this shift from having a major source of revenue being collected by the province to now, starting on July 1, being collected by the federal government, and that agreement that we've entered into with them about that. I'm responsible for that. I was also asked to ensure that, when it came to tax reform, I had the ability to communicate that, to be across the province and do that, and also answer the type of questions. I've had questions, of course, from members of all sides of the House. Constituents have asked technical questions, and they've come to me to get that. But the tax policy itself is settled by the Minister of Finance and then—

**Ms. Lisa MacLeod:** Have you ever, in your capacity as Minister of Revenue meeting with the finance minister, advocated for a reduction in the rate, like the other provinces have done?

1730

**Hon. John Wilkinson:** What I can tell you is that as a minister, I always respect the fact that we each have our own responsibilities. The decision made by the Minister of Finance was the result of the leadership shown by the Prime Minister and the Premier. It led to an agreement in principle. It was ratified by our cabinet, as it should have been. It was then presented to the House, and both governments undertook to present that as part of budgetary measures that were put in front of the House of Commons and also put in front of our Legislature. Both of those statutes were passed. All of that was the responsibility, at the time, of the Minister of Finance—a budgetary matter. Now that it is the law, I am responsible for collection and also making sure that we have an appropriate relationship with the federal government in regard to making sure we get our share.

**Ms. Lisa MacLeod:** Okay. I just have one quick question, and then my colleague wants to jump in. You had no input, then, in whether it was more prudent for Ontario families and seniors to receive a reduction in the rate over these one-time so-called bribe or transitional cheques? You had no input into that; that was solely done by the Minister of Finance.

**Hon. John Wilkinson:** What I can tell you is that it was the agreement between our two governments—and the CITCA is, of course, the comprehensive integrated tax collection—

**Ms. Lisa MacLeod:** Presumably, though, you had negotiations in caucus—or in cabinet, sorry.

**Hon. John Wilkinson:** In cabinet. What I can say, to be quite clear, is that when the federal government announced—and they received a mandate from the people of Canada to reduce the GST—

**Ms. Lisa MacLeod:** But they gave you \$4.3 billion, and it was your decision on what you were going to do.

**Hon. John Wilkinson:** We had people who said it was the right thing to do politically, but the wrong thing to do economically, so we made a conscious decision as a government, through our negotiations with the federal government, to be responsible for the tax policy in the province of Ontario—

**Ms. Lisa MacLeod:** So you think it's more responsible to give out one-time cheques rather than reduce the rate?

**Hon. John Wilkinson:** We're talking about a permanent sales tax and permanent income tax cuts. The transition money is the result of our two governments understanding that in the first year particularly, we needed to support the consumer with tax-free money, because we had to give the marketplace time to have the cost savings in the business chain reflected in prices. That can't happen overnight, Ms. MacLeod, because products are the result of numerous transactions. That embedded tax has to come out of the system.

Businesses feel that they have to lower prices, but they also know that they have to go to their suppliers and say, "Hey, I need my price down, too." That's why it's so important for business to understand it.

**The Vice-Chair (Mr. Robert Bailey):** Four minutes.

**Ms. Lisa MacLeod:** Randy, I know you could go on for four more minutes.

**Mr. Randy Hillier:** Minister, can you give me a direct answer to this question? Clearly, you've broken over 140 years of constitutional jurisdiction here by providing direct taxation to the federal government instead of the province, but in the 2011 or subsequent 2012 budgets, will the provincial government be able to create exemptions or raise or lower the provincial portion of the HST without penalty?

**Hon. John Wilkinson:** First of all, just on the premise of your question, what we're doing is constitutional. I can assure you of that.

On the question that you had, which is a more practical question, under our agreement on going into having one harmonized sales tax in Ontario, which begins on July 1 of this year, 2010, the province of Ontario—

**Mr. Randy Hillier:** Will subsequent governments be able to raise or lower the provincial portion or create exemptions without penalty?

**Hon. John Wilkinson:** I'll just give that to you. The provincial government can raise or lower the provincial portion after July 1, 2012. That's in the agreement. The

government of Ontario can have exemptions at point-of-sale, but it cannot represent more than 5% of the total tax base. I can tell you, the exemptions we have today are within that 5%. It's those two things, particularly the point-of-sale exemption—

**Mr. Randy Hillier:** So the federal government will now have control over direct taxation instead of the province with regard to exemptions. You'll be limited to only 5%.

**Hon. John Wilkinson:** No, no. We've entered into an agreement. We get to decide what the exemptions are; that's our provincial responsibility. It has to be administered by the federal government, and they actually have to administer it. So they are, for example, for books and for diapers and for—

**Mr. Randy Hillier:** Okay. My next question is: Recognizing that there is one taxpayer only, and we know that you have transferred 1,250 people from the PST over to the federal government, even though there is no new business for the HST or GST position, were you aware that all PST auditors would be transferred over to the federal government with this agreement? Were you aware that they were going to get a severance? What savings are there to the one taxpayer? We have the same amount of bureaucracy administering the harmonized sales tax. Explain to me how there are any savings to the one taxpayer.

**The Vice-Chair (Mr. Robert Bailey):** You've got one minute, Minister.

**Hon. John Wilkinson:** There are about 1,250 what we call FTEs, full-time equivalent positions, that are not required by the province of Ontario going forward because we're not going to be collecting, administering, auditing the PST system.

**Mr. Randy Hillier:** The feds are.

**Hon. John Wilkinson:** No, because the PST doesn't exist after July 1, Mr. Hillier. So we have those employees. What happened was, the federal government said, "If we're going to have the HST, we're going to need more people. We would like the ability to offer them a job. Would you be willing to negotiate the fact that we could offer them a job?" We said, "Sure. They work in Ontario; they're Ontario people. If you want to offer them a job in Ontario, that's better than a job in"—

**Mr. Randy Hillier:** So there are no savings to the one taxpayer.

**Hon. John Wilkinson:** For us it saves \$100 million a year.

**Mr. Randy Hillier:** For you.

**Hon. John Wilkinson:** You can ask Minister Flaherty—

**Mr. Randy Hillier:** The government saves, but not the taxpayer.

**Hon. John Wilkinson:** You have to ask Minister Flaherty what it's going to cost him to hire 1,250 formerly provincial employees.

**The Vice-Chair (Mr. Robert Bailey):** Time's up.

**Hon. John Wilkinson:** But I don't know that. You'd have to ask Minister Flaherty.



**The Vice-Chair (Mr. Robert Bailey):** We'll move on to Mr. Tabuns and the third party.

**Mr. Peter Tabuns:** That was a long 40 minutes.

Before the government signed the initial memorandum of agreement with the federal government in March 2009, did the government consider the impact on First Nations?

**Hon. John Wilkinson:** I wasn't party to that; at the time, I wasn't the minister. Perhaps you can ask that of Minister Duncan. Again, I was not privy to the discussions between the Prime Minister and the Premier, nor was I privy to the discussions between the Minister of Finance federally or provincially.

I can tell you, of course, that the agreement was ratified by cabinet. Any discussions in cabinet, of course, are confidential so I couldn't comment on those. But I can tell you, that was the process that led to the ratification of the memorandum of agreement.

**Mr. Peter Tabuns:** To your knowledge, or the knowledge of your senior staff who are here before us today, was the Minister of Revenue at the time briefed on the issue by civil servants before the agreement was signed?

**Hon. John Wilkinson:** At the time, the Minister of Revenue was the Minister of Finance, so you'd have to ask him that question.

**Ms. Carol Layton:** At that time, the Minister of Revenue was the Minister of Finance, so it is Dwight Duncan.

I was involved only in the context of what this would mean—it was a confidential budget discussion—to start to wind down a retail sales tax, which was significant. I was very, very focused on that because I knew that on the day of the tabling of that budget—March 26, 2009—I would have a staff of about 2,500, many of them involved in retail sales tax work, wondering what the implications were.

The focus of myself and also Bob Laramy, assistant deputy minister here, was to make sure that we were ready with everything from a video to questions and answers to lots of discussions with the relevant bargaining agents, the OPSEU and the AMAPCEO bargaining agents, to make sure that when that budget was tabled at 4 o'clock on that particular day, we were able to outreach to all of the various folks, because we knew, at that point, people would wonder, "What does this mean for me in terms of my job?"

That was the focus for myself as deputy minister of revenue as well as Bob, as one of our assistant deputy ministers, leading up to the tabling of the budget in 2009.

**Mr. Peter Tabuns:** I understand why that would be important. I won't argue with that for a moment. I understand the consequences of that. But are you saying, then, that you hadn't considered the impact on agreements with First Nations?

**Ms. Carol Layton:** I'm saying that those meetings and the budget briefings in that regard were confidential briefings held by the Ministry of Finance with the senior executives of that ministry.

**Mr. Peter Tabuns:** I'll leave that for the moment.

This government has called for a new relationship with First Nations in Ontario. Why weren't First Nations leaders consulted on the HST before two HST agreements were signed with the federal government?

**Hon. John Wilkinson:** Mr. Tabuns, under our British parliamentary system, when it comes to budgetary matters, those are matters that are confidential. That is the nature of our form of government. What I can tell you is that when that became public knowledge, we immediately started to reach out to First Nations. We have had numerous meetings with them.

I'm particularly happy with the fact that just recently we were able to sign, Minister Bentley and I, a memorandum of agreement so that the federal government understands how clearly we are of one mind that the point-of-sale exemption which First Nations have in regard to self-delivery of goods or services, something that we've had as an administrative practice for the last 30 years in this province, something that all three parties have governed with, is something that is particularly important to our First Nations. We recognize that. We have the room under our exemption limit to be able to provide that. The Premier has written the Prime Minister and said that it's important that we do that.

1740

There are some technical questions that the federal government has. Of course there is no point-of-sale exemption for First Nations in regard to GST, HST or QST anywhere else in the country, so Ontario has a unique perspective on that, but it's not one that's contained within the federal government. So to be able to do that there has to be a good working relationship between the federal, provincial and First Nations governments. We've called on that.

What we found frustrating was the fact that the federal government had not been able to see its way clear to actually have a meeting with all three parties in the room. I understand, though, that Minister Flaherty recently called Chief Shining Turtle and said that he would arrange such a meeting—I'm not sure whether or not it's actually happened; I think maybe it already has. We actually are now getting some progress, having the three different governments—First Nations, provincial and federal—all in the same room, because what we're talking about, at the federal level, is administering something that is unique to them; they've never done it before, and so it requires a level of co-operation.

I was delighted, though, that when the Prime Minister wrote back to the Premier he did recognize that under our agreement, the comprehensive integrated tax collection agreement, it is Ontario's decision as to which things are point-of-sale-exempt. The Premier has also subsequently written the Prime Minister, so there's clarity that we expect this point-of-sale exemption to happen under the HST; and, as well, the idea that, under our agreement, of course, we have to be accountable for and transparent about taxation, that that agreement has to be based on facts and data. There is, in some cases, a lack of that data that the federal government was using, because normally

they use StatsCan data. There's StatsCan data around purchases that consumers make broadly, but we're not talking about data around a product that's been purchased—that's kind of easy—but actually the products that are purchased by a separate set of individuals. That's why it's quite unique, and so we have to be able to find that data—

**Mr. Peter Tabuns:** I understand that. Let me go back, then. The Minister of Finance came to the Legislature; presented his budget; announced that the province was going to go forward with an HST. At that point, agreements had not been signed with the federal government. Is that correct?

**Hon. John Wilkinson:** No. The memorandum of agreement had been signed before the budget, and both governments agreed then to bring them into their respective Houses to have the appropriate measures ratified.

**Mr. Peter Tabuns:** And there was a second agreement with the federal government? Or was it a memorandum and then a final agreement?

**Hon. John Wilkinson:** Yes, that's right. So we had the memorandum of agreement. That came out of, as I said, January, I think, roughly—the Prime Minister and the Premier speaking; then asking their finance ministers to work on it. That led to a draft memorandum of agreement that was taken to both respective cabinets. They were approved.

Subsequently and shortly thereafter, both governments then presented budgets—their March 2009 budgets—and then we had entered into the memorandum of agreement to do the detailed, comprehensive integrated tax collection agreement that every HST province has with the federal government because they become the tax collector on behalf of the province, just like they're the tax collector on income tax and corporate tax. My assistant deputy minister, actually—again, I want to praise Bob Laramy about that, because that then led to the signing of the CITCA by both Minister Duncan and Minister Flaherty for their respective governments—on 6 November 2009 by Minister Flaherty and on 9 November by Minister Duncan, so—

**Mr. Peter Tabuns:** So there was a lot of time, then, between the budget decision and that final agreement being signed. Yet in that time the First Nations were not integrated into those discussions?

**Hon. John Wilkinson:** Oh, no, I disagree with that. I—

**Mr. Peter Tabuns:** I have to say, they're not at all happy with the state of things. You're still working out an agreement with them. You did not work out an agreement with them before the second agreement was signed?

**Hon. John Wilkinson:** We have an agreement with them. We don't have an agreement with the administrator of the tax, which will be the federal government. Our point-of-sale exemption for the provincial tax runs right up until June 30.

As a matter of fact, at some of the meetings I had with First Nations, they asked me as Minister of Revenue,

“Could you just remind all of our retailers that up until at least June 30, it's your tax, you set the rules and there's a point-of-sale exemption that has been around since 1980?” They were quite happy that I was able to take that action. That action came out of the fact that we have been in consultations. I think I might even be able, perhaps with the assistance of my friend the Minister of Aboriginal Affairs, to table all of the various meetings that have been going on since that time, if you'd like to know. There has been a great deal—

**Mr. Peter Tabuns:** Please table them. That would be useful.

At that point, you were serving as Minister of Revenue. Were you aware at the time that implementing the HST threatened the First Nations point-of-sale exemption?

**Hon. John Wilkinson:** As a matter of fact, I think one of the very first meetings I had was with First Nations. We were able to share with them the fact that, as they had heard, we were getting out of the retail sales tax business, so therefore there was going to be a new federal tax, that we had the ability to do exemptions, that we had received agreement with the federal government on many of the traditional things that had been exempted, where there is StatsCan data about the sales of products—so we think of things like books, children's clothing and all those exemptions—but we had not secured their agreement in regard to a First Nations point-of-sale of the provincial portion of the HST. In our discussions with First Nations, we have always tried to tell them everything we know, to be open and transparent with them. We let them know as soon as we knew that there did not seem to be an appetite on the part of the federal government to have something unique in Ontario, which they do not administer anywhere else in Canada.

That led, for example, to a letter by me to my counterpart, a letter by Mr. Duncan to Mr. Flaherty, the letter from the Premier to the Prime Minister. So, working together, we decided to do the things that only we could do, government to government, with the federal government.

Of course, they've made their own entreaties to the federal government. They also reported back to us, as we've worked together on this, that they weren't getting the kind of response they'd hoped for from the federal government.

Minister Flaherty's call to Chief Shining Turtle just last week was quite newsworthy because that was the first time that I'm aware of that the federal minister had decided to engage on this personally, and of course we welcomed that. We think that is a positive thing.

This challenge that we have has to be solved by the federal government, the provincial government and First Nations coming together in common cause. This is something that is going to require co-operation, so we've worked as hard as we can to build that co-operation. Subsequently, that is what has led to this memorandum of agreement between the political confederacy and our government. Again, that was on May 3.



As you know, when we're dealing with First Nations, we have to respect their way of forming a consensus amongst their group. It's important for us to respect that. That is part of their traditions that extend into the millennia, and so we have to be cognizant of that. This has been an issue that they themselves had to come to grips with and try to understand, as a community, how they would respond.

We are delighted that we've been able to reach an agreement where we can stand together with a common position with the federal government, and we'll continue to do that.

It is a unique situation. To give the federal government its due, we're asking them to administer something they have never administered, which is a point-of-sale exemption to a particular group as opposed to a product. We were doing that as well for farmers. They would use their farm organization card, though in this case they will not use that after July 1. They'll just receive the full input tax credit. They're delighted because that's exactly the same treatment in Quebec. That's something farmers have been asking for.

1750

**Mr. Peter Tabuns:** York University professor Fred Lazar estimated recently that the HST on First Nations will cost them \$100 million. Is that in line with your estimates?

**Hon. John Wilkinson:** I would perhaps ask my deputy about that. I did take a look at the report and the—

**Mr. Peter Tabuns:** Ask the deputy; that will be—

**Hon. John Wilkinson:** I don't remember the underlying assumptions behind that, so I wouldn't want to validate it or invalidate it.

**Mr. Peter Tabuns:** I'm happy to hear from the deputy.

**Ms. Carol Layton:** Actually, I may have to get back to you on some of that detail. Certainly, in the reading of that report there was a feeling, an appreciation, that the numbers seemed to be fairly significantly overstated. It would be hard right now without seeing the—I don't have those details with me to actually validate those estimates.

**Mr. Peter Tabuns:** Have you actually done your own estimates on this? Has your ministry done that assessment?

**Ms. Carol Layton:** I'd have to defer to my colleagues at the Ministry of Finance, again because of the tax policy role that they play, who would have looked at this more closely.

**Mr. Peter Tabuns:** But your ministry hasn't done an assessment?

**Ms. Carol Layton:** Revenue has not.

**Mr. Peter Tabuns:** Minister, is it your position and the position of your government that the First Nations point-of-sale exemption is a treaty right?

**Hon. John Wilkinson:** Oh, Mr. Tabuns, I'm not a lawyer. What I can tell you is exactly—

**Mr. Peter Tabuns:** I'm not asking your legal opinion; I'm asking your opinion as the minister.

**Hon. John Wilkinson:** If you give me one statement, I'd like to read something into the public record, if we

have our memorandum of agreement with First Nations. I'll get that for you and I'll read that into the record. I think that might clarify it for you.

**Mr. Peter Tabuns:** If you have that statement. But is that the position of your government?

**The Vice-Chair (Mr. Robert Bailey):** You have four and a half minutes.

**Hon. John Wilkinson:** No, because it was signed by me as a minister and it was signed by First Nations.

**Mr. Peter Tabuns:** Why don't you read the relevant part related to whether or not the point-of-sale exemption is a treaty right? You don't have to read the whole page. There's a fair amount of text there. Just: Do you recognize it as a treaty right?

**Hon. John Wilkinson:** There's really three things. This agreement signed by us has the following clause:

"Whereas Ontario First Nations assert that the point-of-sale tax exemption is based on their treaty and inherent rights;

"Whereas Ontario asserts that the First Nation point-of-sale tax exemption is based on its administrative policy, which provides for a point-of-sale tax exemption for goods purchased off a reserve and 'self-delivered' by a status Indian to a reserve;

"Whereas Ontario and the political confederacy may disagree on the basis of the First Nation point-of-sale tax exemption; however, they are committed to the principle of reconciliation and to the continuation of the First Nation point-of-sale tax exemption under the HST, as the exemption is currently applied in practice in Ontario under the RST system..."

Those are the three relevant paragraphs of a memorandum of agreement that was just recently signed by our government with First Nations. Thank you for indulging me. I just wanted to get that in the record so it was clear.

**Mr. Peter Tabuns:** If I heard you correctly, your first point was recognizing the treaty rights of—

**Hon. John Wilkinson:** First Nations recognize that they have a treaty right. We have recognized that it is an administrative practice that was started in 1980, and we have maintained that ever since.

**Mr. Peter Tabuns:** So you don't see it as a treaty right, then?

**Hon. John Wilkinson:** In my own opinion as the Minister of Revenue, what I can tell you is that the point-of-sale exemption for the PST is something that my ministry administers.

**Mr. Peter Tabuns:** Sorry, your government does not then see this as a treaty right?

**Hon. John Wilkinson:** Well, I would defer—

**Mr. Peter Tabuns:** You see this as an administrative matter? Simply and no further?

**Hon. John Wilkinson:** No. As the Minister of Revenue, I tell you that I have to maintain the point-of-sale exemption and administer it. But if you have a question, again, of the Minister of Aboriginal Affairs, who represents the government in regard to that whole question about treaty rights—

**The Vice-Chair (Mr. Robert Bailey):** Two minutes, Minister.

**Hon. John Wilkinson:** —then you need to ask the minister who actually can answer that question, because that's important.

Again, I don't answer questions for other ministers, though if there's something in the public record, for clarity, I don't mind reading it in.

**Mr. Peter Tabuns:** In that agreement you've said that the First Nations recognize it as a treaty right and you see it simply as an administrative procedure; you don't see it as a treaty matter. Unless you had signed on and said, "Yes, we recognize it as a treaty matter," I'm assuming that that agreement expresses your government's opinion. You don't see it as a treaty issue.

**Hon. John Wilkinson:** First of all, I can tell you that—

**Mr. Peter Tabuns:** Fair enough.

**Hon. John Wilkinson:** —my understanding is that the Supreme Court has ruled on this that when it comes to the GST or provinces with the HST or the QST, under the current system there is no sales tax, federal or provincial, on-reserve. There is a point-of-sale exemption—

**The Vice-Chair (Mr. Robert Bailey):** One minute, Minister.

**Hon. John Wilkinson:** —of the GST when a First Nation individual purchases something off0-reserve that is to be delivered by the company, by the vendor or the

vendor's agent onto the reserve. That is the current practice. Any kind of constitutional question that has been asked about self-delivery, which is something we do administratively, has been ruled by the Supreme Court as not applicable.

Again, the appropriate minister is the Minister of Aboriginal Affairs. This is an area that is complex. I'm sure those are the types of questions—

**Mr. Peter Tabuns:** I think what you've said is clear enough.

**The Vice-Chair (Mr. Robert Bailey):** Time's up.

Thank you very much, Minister, Deputy Minister and assistant deputy minister.

The hour being 5:55, we're going to adjourn and reconvene in this room on September 14, Tuesday, at 9 a.m., according to the parliamentary calendar. We'll have at least two hours and 50 minutes for the minister to come back.

I wish him the best all summer, and his staff.

**Hon. John Wilkinson:** You too.

**The Vice-Chair (Mr. Robert Bailey):** Thank you to your staff, and Happy Canada Day.

**Hon. John Wilkinson:** That's right. Income tax is down July 1.

*The committee adjourned at 1756.*





## CONTENTS

Wednesday 2 June 2010

|                           |       |
|---------------------------|-------|
| Ministry of Revenue ..... | E-107 |
| Hon. John Wilkinson       |       |
| Ms. Carol Layton          |       |
| Mr. Bob Laramy            |       |

### STANDING COMMITTEE ON ESTIMATES

#### **Chair / Président**

Mr. Garfield Dunlop (Simcoe North / Simcoe-Nord PC)

#### **Vice-Chair / Vice-Président**

Mr. Robert Bailey (Sarnia–Lambton PC)

Mr. Robert Bailey (Sarnia–Lambton PC)

Mr. Gilles Bisson (Timmins–James Bay / Timmins–Baie James ND)

Mr. Jim Brownell (Stormont–Dundas–South Glengarry L)

Mr. Kim Craiton (Niagara Falls L)

Mr. Bob Delaney (Mississauga–Streetsville L)

Mr. Garfield Dunlop (Simcoe North / Simcoe-Nord PC)

Mrs. Amrit Mangat (Mississauga–Brampton South / Mississauga–Brampton-Sud L)

Mr. Phil McNeely (Ottawa–Orléans L)

Mr. John O'Toole (Durham PC)

#### **Substitutions / Membres remplaçants**

Ms. Lisa MacLeod (Nepean–Carleton PC)

Mr. Yasir Naqvi (Ottawa Centre / Ottawa-Centre L)

Mr. Peter Tabuns (Toronto–Danforth ND)

#### **Also taking part / Autres participants et participantes**

Mr. Randy Hillier (Lanark–Frontenac–Lennox and Addington PC)

#### **Clerk pro tem / Greffier par intérim**

Mr. William Short

#### **Staff / Personnel**

Mr. Terrence Teixeira, research officer,  
Legislative Research Service



26  
77



E-8

E-8

ISSN 1181-6465

## **Legislative Assembly of Ontario**

Second Session, 39<sup>th</sup> Parliament

## **Assemblée législative de l'Ontario**

Deuxième session, 39<sup>e</sup> législature

# **Official Report of Debates (Hansard)**

**Tuesday 14 September 2010**

# **Journal des débats (Hansard)**

**Mardi 14 septembre 2010**

## **Standing Committee on Estimates**

Ministry of Revenue

## **Comité permanent des budgets des dépenses**

Ministère du Revenu

Chair: Garfield Dunlop  
Clerk: Douglas Arnott

Président : Garfield Dunlop  
Greffier: Douglas Arnott

### **Hansard on the Internet**

Hansard and other documents of the Legislative Assembly can be on your personal computer within hours after each sitting. The address is:

<http://www.ontla.on.ca/>

### **Index inquiries**

Reference to a cumulative index of previous issues may be obtained by calling the Hansard Reporting Service indexing staff at 416-325-7410 or 325-3708.

### **Le Journal des débats sur Internet**

L'adresse pour faire paraître sur votre ordinateur personnel le Journal et d'autres documents de l'Assemblée législative en quelques heures seulement après la séance est :

### **Renseignements sur l'index**

Adressez vos questions portant sur des numéros précédents du Journal des débats au personnel de l'index, qui vous fourniront des références aux pages dans l'index cumulatif, en composant le 416-325-7410 ou le 325-3708.

---

Hansard Reporting and Interpretation Services  
Room 500, West Wing, Legislative Building  
111 Wellesley Street West, Queen's Park  
Toronto ON M7A 1A2  
Telephone 416-325-7400; fax 416-325-7430  
Published by the Legislative Assembly of Ontario



Service du Journal des débats et d'interprétation  
Salle 500, aile ouest, Édifice du Parlement  
111, rue Wellesley ouest, Queen's Park  
Toronto ON M7A 1A2  
Téléphone, 416-325-7400; télécopieur, 416-325-7430  
Publié par l'Assemblée législative de l'Ontario



## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
ESTIMATESCOMITÉ PERMANENT DES  
BUDGETS DES DÉPENSES

Tuesday 14 September 2010

Mardi 14 septembre 2010

*The committee met at 0901 in room 151.*

## MINISTRY OF REVENUE

**The Chair (Mr. Garfield Dunlop):** Okay, good morning, everyone. We'll call the meeting to order. Welcome, everybody, back to our fall session.

We're starting this morning with the Ministry of Revenue and the Honourable Sophia Aggelonitis. I never get the Greek names right. Sorry, Sophia. Welcome, Minister, and all the staff from the ministry.

**Mr. Dave Levac:** It's all Greek to us.

**The Chair (Mr. Garfield Dunlop):** That's right.

We are here to resume consideration of the estimates of the Ministry of Revenue, vote 3201, and there's a total of two hours and 50 minutes remaining.

When the committee adjourned the last meeting, the third party, the NDP, had finished its 20-minute turn. It is now the turn of the government, and following that, the official opposition will start the next round for 20 minutes, followed by the third party and the government for their next round. I'll turn it over to the government. We will adjourn at 10:20 so we'll get the four 20-minute rounds in. Mr. Levac? Go ahead, please.

**Mr. Dave Levac:** I appreciate the opportunity—whoops, wrong mike. Thank you. I appreciate the opportunity to question our newly minted finance minister. That's kind of a pun: "newly minted." I'm just waiting for some response.

**Interjection:** It's early.

**Mr. Dave Levac:** Is it early?

**Interjection:** It's very early.

**Mr. Dave Levac:** It's too early for that, I guess. All right, I'll move on, Mr. Chairman.

Thank you very much for being here, Minister. Congratulations on your new posting, obviously, and I know, on a personal note, you will dive in and dedicate yourself to ensuring that the Ministry of Revenue is represented as strongly as you did in your previous posting and your commitment to your riding.

I can imagine that you've probably been inundated with briefing after briefing after briefing and are swimming in information. Again, there is a very technical and complex portfolio within the Minister of Revenue, and maybe some people are not aware of the depth of the importance of revenue, as opposed to, and not to the

detriment of, finance. There are large differences between them.

Inside of those briefings and inside of your now newer understanding of how revenue works within the government, I'm interested in making sure that, for the public consumption, people begin to get an understanding of why there is a Minister of Revenue, separate from but complementary to the Minister of Finance.

I know you have an extensive small business background. I also know that the portfolio that you now find yourself in is of interest to you. In the small conversations we've had since coming back, you've voiced to me on occasion joy that you finally get to sink your teeth into the concept of what revenue means for the province of Ontario, for small business, for large business—for the average Ontario citizen to understand what revenue inside of a government means.

That's a long-winded way of saying I would really welcome from you a synopsis of what the Minister of Revenue does, what the revenue does for you, but also what it does for small business, for large business, for the flow of money in the province of Ontario.

I put that on the table for you to have an opportunity to give us a Coles Notes of the massive briefings that you've received so that you can teach us all a little bit about what the Minister of Revenue does, what the ministry does, and the benefit it brings to our province. I'll turn it over to you and let you kind of open the door.

**Hon. Sophia Aggelonitis:** Thank you very much. You're right, Mr. Levac: You and I have had a number of conversations about revenue and small business and, really, how important small business is to the province of Ontario.

First, let me just begin by saying thank you to the members for being here so early. I know the previous Minister of Revenue, Minister John Wilkinson, appeared before you. I know, by reading the Hansard, he was very eloquent and he answered a lot of your questions.

I do want to say that I am very excited that the Premier has appointed me to this position. I believe that the Ministry of Revenue offers just so much to the people of Ontario and I'm very excited about this portfolio.

The Ministry of Revenue's activities directly support Open Ontario, and that is our government's plan to strengthen our economy and grow jobs for Ontario families. The ministry supports modern, efficient public services and enhances Ontario's business climate. It

achieves this through the administration of an efficient tax and benefit system. We also have education and outreach programs that encourage voluntary compliance. We have an integrated approach to customer service and supporting low-income Ontarians.

The goal of the Ministry of Revenue is to continually improve services and to fairly and efficiently administer tax and benefit programs and related services through accessible and customer-focused delivery channels. But mostly the Ministry of Revenue for the province of Ontario strives to be a leader in tax benefit and revenue administration.

Through our comprehensive tax plan for jobs and growth, which began to be implemented earlier this year, we're bringing Ontario in line with what is viewed to be one of the most important tax reforms in the province.

Now, just some specific facts about the ministry. In 2009-10, the Ministry of Revenue collected \$33 billion in administered tax revenue. This represents approximately 40% of Ontario's total revenue. Of that revenue, 95% was collected through voluntary compliance and 5% through enforcement—but 95% was compliant, and I think that's a really important number.

We have over 2,600 employees in 21 offices located all across Ontario and we maintain an active tax roll of approximately 413,000 registered taxpayer accounts. We have 70 interjurisdictional agreements and we work closely with a number of ministries in the Ontario government, other provinces and federally.

I'd like to take a moment to talk a little bit about our education and outreach programs. One of the priorities of the Ministry of Revenue is getting information to Ontarians and to Ontario businesses to meet their tax obligations. In addition to our extensive outreach that is done leading up to the HST and our tax plan, which I will speak to in a few minutes, the ministry has a number of seminars to help Ontario businesses. We have partnered with the Canada Revenue Agency to provide HST information seminars right across the province. The staff at the Ministry of Revenue do community visits to small businesses in communities right across Ontario each and every year. In addition, we also have free tax information seminars that are offered for small businesses in Ontario, and also new vendor visits are done to educate newly registered vendors.

0910

The ministry also maintains a very in-depth and informative website. If you haven't been on it, I would highly recommend it. During my briefings, we were very intensely on that website. We provide publications, bulletins, email alerts and RSS feeds to keep Ontarians informed on items that are of interest to them and that will keep them informed.

Now, if I could, I'd like to speak a little bit about our tax package. As many of you know, our government is very focused on our priorities in ensuring Ontarians have the best quality of life, and that includes providing great public services.

The Ministry of Revenue is committed to the priorities laid out in the government's Open Ontario plan. In order

for Ontario to compete on the global economic stage, we need to ensure that we have a climate where business can thrive. That is really the key to the tax reform package. That's why, on January 1 of this year, we began to implement our new tax reform package, and on July 1 of this year we introduced the HST.

Our whole tax plan is what Ontario needs to grow our economy, to create jobs and to invest more in our health care and our excellent educational services. We had a system that was built on a—it was an antiquated system. In fact, I think our system was older than I am—and that's old. But now we have a system that is much simpler, and it's a system intended to grow businesses in Ontario. Our tax package results in this one sales tax at one rate, on one common set of goods and services, payable to one level of government, with one set of regulations and one set of paperwork, administered by one set of civil servants.

This is good not only for government, but it's good for businesses, it's good for taxpayers and it's good for consumers. Savings in administration costs for businesses alone will be about \$500 million, and businesses will save \$4.6 billion a year in input tax credits, replacing an outdated, inefficient tax on a tax on a tax.

We have a report from the economist Jack Mintz. He estimates that these tax changes, along with other recent tax measures, will lead to \$47 billion in new capital investment and will create about 600,000 new jobs within 10 years. Also, an independent report from TD Bank points out that the true, lasting benefits of harmonization will be indirect, in the form of higher employment, personal incomes and an overall increase in the standard of living that comes from greater investment and productivity.

The other thing the ministry does is tobacco enforcement. In addition to all the work that the ministry does in administering taxes and benefit programs, our government, through the Ministry of Revenue, is working with all partners to strengthen the enforcement of tobacco laws. The McGuinty government takes this issue very seriously, as it affects the health and safety of Ontario families. The work we do at the Ministry of Revenue complements our government's smoke-free Ontario strategy.

In five of the last seven budgets, our government has strengthened enforcement against the illegal manufacture and sale of tobacco products. In fact, convictions under the Tobacco Tax Act have increased by 44% in fiscal 2009-10 from the previous fiscal as a result of these steps that were taken by our government. Over the past two years, about 77 million illegal cigarettes, 346,000 untaxed cigars and 33 million grams of fine-cut tobacco have been seized by ministry investigators and inspectors.

I'm looking forward to working closely with all of our partners to ensure the health and safety of Ontarians through the enforcement against illegal tobacco.

In conclusion, as you can see, the Ministry of Revenue is a very busy place. I'm really looking forward to



working with my team at the Ministry of Revenue to ensure that we grow Ontario's economy, that we create jobs for all Ontarians and help Ontario be the best province in the best country in the world.

I would like to also thank the team that is with me, especially my newly minted deputy, who is Steve Orsini, and as well Bob Laramy is with us.

**Mr. Dave Levac:** Thank you for that review. Thank you, Mr. Chairman. I'll defer to my colleague, Jean-Marc Lalonde.

**The Chair (Mr. Garfield Dunlop):** Jean-Marc?

**Mr. Jean-Marc Lalonde:** First of all, I want to congratulate you for being appointed as Minister of Revenue. You've got big shoes to fill and I'm sure you'll be able to do it as a former small business operator and owner.

People have been misinformed ever since we've been talking about the HST. Myself, I had 25 info sessions in eastern Ontario—25 of them. Only one person left mad, because he was misinformed and didn't stay until the end. He was the president of a minor hockey association.

But let me tell you, madame la Ministre, what we've been hearing on the radio, especially when I say misinformed, to a point that the people didn't know, really, and that our phone kept ringing, even though I organized many—as I said, 25—info sessions.

I walked into a restaurant—I want you to answer this one. Jerry got me—he goes for breakfast every morning with his wife—and he was really mad. He was listening to the radio and he said, "Now, you bunch of guys, I'm going to pay 13% more now when I come to the restaurant." I said, "Jerry, you're wrong." After, he went to the counter, he sat down and I sat with him, and I said, "Have you got your bill?" He showed me the bill, and I said, "There's 5%, there's 8%; five and eight, does that make 13%?" "Yes, but you're going to add 13% on top of that." That's the way they were informed.

Also, during a campaign in March, I couldn't believe when I got on the radio—I immediately contacted the Ministry of Revenue, which is the most important ministry that I could see in the Ontario government because we depend on you to get the revenue to be able to tie our budget.

But anyway, when I say they were misinformed, during the campaign, on the radio, again, they were saying, "You will be paying 13% more on every item that you'll be purchasing." We had to go on the street and tell the people that was wrong. I couldn't believe it. So I'd like you to inform the committee: Will there be a 13% increase on everything that you purchase, except for children's shoes and some of those things?

Also, the taxi effect. I was in a taxicab from here to the airport when the taxi driver told me, "Now I'll have to charge 13% on every call that I do?" I said, "You will benefit from it." He said, "How?" "Well," I said, "you purchase gas every day. You'll be paying 8%; you're going to get that 8% back. But when you buy a new car, you are paying 8% at the present time, and you're going to get that back." Same thing as a truck driver. I even

went to a company to pick up the invoice. I thought he had paid \$90,000 for his truck. He paid \$225,000. And this is why, from April to June, truck and tractor dealerships were saying, "Mr. Lalonde, you have to have this retroactive because we just can't sell any trucks or backhoes at the present time." People were waiting to get that—for \$225,000, it's \$18,000 now that they're getting back.

**0920**

I would like you to clarify those points, really. Will there be a 13% increase? Truck drivers or truck excavation companies: Will they be benefiting from this HST? Why do we have an HST? Do we want to be more competitive? Do we want to be able to compete with the other countries that have the HST already there? That should be creating jobs, as you mentioned a little while ago.

Those are my questions, Madame Aggelonitis.

**The Chair (Mr. Garfield Dunlop):** Minister, you've only got about two minutes to try to answer those at this point.

**Hon. Sophia Aggelonitis:** Two minutes?

**The Chair (Mr. Garfield Dunlop):** Yes. That's how quick the 20 minutes has gone.

**Hon. Sophia Aggelonitis:** Thank you very much, Mr. Lalonde, for your question. You're right: In fact, small business is one of my favourite subjects. As a small business owner before coming into government, I knew that this tax package was going to make sense because as a small business owner, I was paying GST and then I was getting it back. As a small business owner, I was paying PST and I never was getting it back. If I were still in business, I would be getting that HST back, and what that would mean for a small business owner like myself is that I would be able to invest in my company, selling the best product that I can, and I would probably hire more people to help me sell my product.

When it comes to small businesses in the province of Ontario, we know that 99% of all businesses in Ontario are small to medium-sized enterprises. We also know that they employ 2.9 million people in Ontario. We also know that small businesses account for \$250 billion in economic activity here in the province. The HST and the full tax package are all about making those small businesses stronger.

I know I only have two minutes, but for your list of things that are taxable and things that are not, we have sent out this wonderful package. It's called, "What's Taxable under the HST and What's Not?" We've sent it to as many Ontarians as we possibly could. We also have it on our website. We've also, in fact, put it out as an app, so you can put it on your cellphone and get all the information that you can.

At the end of the day, the whole tax package is about building a stronger Ontario and making sure that our small businesses thrive. We know that we're not going back to the old world. In the new world, we need to be tax-competitive. That's how we grow, that's how we make businesses successful and that's how we make

people successful, because everybody wants to have a job.

**The Chair (Mr. Garfield Dunlop):** I think that's it. You can continue on in the next round, okay? So we'll cut you off there and then we'll go to the official opposition. But you're welcome to go back to that question later on.

To Ms. MacLeod.

**Ms. Lisa MacLeod:** Welcome to committee, Minister. It's really nice to see you today. I want to congratulate you on your new role. I felt we worked quite well in your previous role and I want to wish you success in the next year. That doesn't mean we're going to stop asking the tough questions of the government, and I have a few of those for you today.

I realize in the last round, you spoke a lot—and I feel badly that they essentially gave you Minister Wilkinson's speaking points, because a lot has changed since July 1. Unfortunately, when you were talking, for example, to your colleagues, the examples that they brought up were all pre-July 1. We now know that the impact of the HST has been, in many quarters, very negative, to Ontario families, to Ontario seniors, and we hear from small businesses daily. So I have a few questions for you with respect to that.

Since you're familiar with the Hansard with Minister Wilkinson, I'd like to draw your attention to a comment that he made at the last sitting. He said, "We are now able to process, with an amazing degree of accuracy, 92% of Ontario's revenue"—and this is where I want to draw some emphasis—"on the same day that it is received. This means that we are updating IFIS faster and optimizing cash flow available to the Ontario Financing Authority."

With that in mind, can you tell me, to date, how much in revenues the government of Ontario, under Dalton McGuinty, has brought in from the HST? Because you have an amazing degree of accuracy of 92%.

**Hon. Sophia Aggelonitis:** Thank you very much, Ms. MacLeod, for that question. It's great to see you here because you're right: We have worked in the past together. I think you're one of the great MPPs, so it's nice to be—

**Ms. Lisa MacLeod:** Thank you. I'll put that in my brochure for re-election.

*Laughter.*

**Hon. Sophia Aggelonitis:** I'm sorry; the truth is the truth. I like Lisa.

**Ms. Lisa MacLeod:** I don't miss a beat.

**Hon. Sophia Aggelonitis:** But getting to your question: As you can see, I do have my deputy here and people from the ministry who could answer more technical questions, and I will refer that to them.

What I do want to say is that recently—and if I could table this, Chair, it's a letter that we've received. It's an open letter, in fact, by the Economic Club of Canada. I think that will answer a lot of questions today. This open letter from the Economic Club of Canada—

**Ms. Lisa MacLeod:** Could you just table it and we'll get back? I do have some serious questions in the next few minutes. If we have any time at the end, I'd be happy for you to read it into the record. I'd be happy if you could table it, but I do have some serious questions. I understand the Economic Club—you can paraphrase it very quickly, if they're in support of your position.

I do have another piece of information here that I'm sure you've seen, Minister: the Canadian Centre for Policy Studies. I'm just going to do some very quick excerpts and then I'm going to ask you a quick question.

Just skimming through some of their results, one is "the tax rise from the tax regime change is much higher than that suggested by the government of Ontario's technical paper, Ontario's Tax Plan for Jobs and Growth."

Secondly, "for both provinces"—they're talking about BC and Ontario—"the pure HST tax increase is regressive: it impacts low-income households far greater" than it does higher-income households.

Finally, "the change towards an HST tax on consumer services is highly regressive," but in some places it might be "modestly progressive."

I bring that up in the context of the fact that you also brought up Jack Mintz. If you read the Hansard from the previous sessions, we had quite a discussion on that modelling: Where are the jobs going to be? Are they going to be high-paying? What sectors are they going to be in? We didn't receive an adequate response.

Your predecessor told me on June 1 in a meeting of this very committee that the HST will create 600,000 jobs a year for 10 years. In fact, he told me, "The good news is that, according to what we've read ... in the paper, most of them have already been created." I need to know: Are you going to adopt that same statement, based on the information I've just provided you?

**Hon. Sophia Aggelonitis:** Again, thank you for the question, Ms. MacLeod. I know that you don't want me to read the letter from the Economic Club of Canada, and I can appreciate that—

**Ms. Lisa MacLeod:** Actually, I don't mind if you put in excerpts. I just have a lot of questions and I'd rather your answer than the Economic Club of Canada's. I see their signatories, but it would take a great deal of time.

**Hon. Sophia Aggelonitis:** In fact, those signatories, there are 33 of them, people like David Dodge, the former governor of the Bank of Canada, and Dr. Anne Golden, the president and CEO of the Conference Board of Canada, as well as Bill Robson, the president and chief executive officer of the C.D. Howe Institute.

**Ms. Lisa MacLeod:** But the question I have is very specific: Will you adopt the previous minister's statement that 600,000 jobs will be created?

**Hon. Sophia Aggelonitis:** I think the important thing to note here is there are three specific numbers that are really important in this conversation, and when we look—

**Ms. Lisa MacLeod:** But there's only one, actually, in the conversation you and I are having, and it is this: Will



you adopt the 600,000 jobs that your predecessor committed to? Will you adopt that statement?

**Hon. Sophia Aggelonitis:** I really appreciate that question. I see three specific numbers. The first one is 600,000 jobs created for the people of Ontario; \$47 billion in new investment in capital, which is so important for our province. The other number that I give you is the up to 8.8% in increase of annual incomes. That's how much we're looking at increasing annual income.

**Ms. Lisa MacLeod:** Okay, but can you explain why Ontario lost 36,600 full-time jobs since the implementation of the HST?

**Hon. Sophia Aggelonitis:** What we know is that by building a stronger Ontario, we need to change our tax package. In fact, that's exactly what we've done. As of July 1, we have seen an incredible change in our province. I'm proud to say that this open letter, in fact, from the Economic Club of Canada—by the way, I have to tell you that the Economic Club of Canada is a non-partisan organization. Their views are specific to what they believe, and they say that the HST will enhance competitiveness, encourage new investment and create jobs. It represents sound public policy—

**Ms. Lisa MacLeod:** Another non-partisan group is Royal LePage Real Estate Services. Their survey in July found that 86% of all respondents believe that the HST is having an impact on their business. According to StatsCan, 7,700 of the full-time jobs lost in Ontario were in the construction sector as a result of the HST.

I guess the question is, how many jobs will be lost because of the HST? You've not given me a clear indication of how many jobs have been created. I guess, then, it brings another series of questions, which I'll re-ask, but I want you to answer that: How many jobs will be lost because of the HST?

0930

The other thing is, you promised that the prices would go down across the board, and I would like you to give me an example of 10 items that have seen a decrease as a result of the HST being implemented in the last three months.

**Hon. Sophia Aggelonitis:** Again, excellent questions. Ms. MacLeod, if we talk about the transition to lower prices, we are basing that on not only all the experts and the evidence that we have, but also examples of the Atlantic provinces. What we know is that 83% of what you spend sees no change and in fact this little book that we've sent out to many, many Ontarians, on what changes and what doesn't change under the HST, is a great reference list for all people—

**Ms. Lisa MacLeod:** But nothing's gone down. I guess whether we're talking about the full-time jobs that you're using from this theoretical report or if it is the prices that are going to go down, these responses simply aren't credible because we already know—and I'm going to read just a couple of little examples. I've probably received 3,000 pieces of correspondence in the last while.

We have Larry Horowitz from Bradford saying, "I just prepaid for the closing and opening of my small family

swimming pool and the HST amounted to over \$77. After discussion with neighbours, we decide to help each other open and close our own pools in future.

"The taxman will receive no money from us and the local pool service ... will lose business."

I have another from Toronto: "One example is my Rogers bill that now has HST. It now reflects an additional \$12.13 per month. For some, that doesn't amount to much; for me, it will represent a charge of \$145 extra per year."

Another one here from Ottawa: "My corporate Good-life rate has now increased from \$350.00 for the year to \$395.50."

You know, it's wonderful to speak to the pre-July 1 talking points, and I'll give you a lot of credit; I mean, that's sticking to the message, which is fundamentally probably the most important thing any team member of a political party can do. But the reality is, nobody's buying the message. The answers aren't credible. To come in here, you're going to have to have a little bit more compassion to sit here and say exactly what the Canadian Centre for Policy Studies has indicated, which is that people are paying more. I travelled the province this past summer and they feel that they are paying more.

Again, why would you say that the HST will create jobs when in fact the HST has lost jobs since its implementation? Because people are forced to pay more, they are going to the underground economy and people simply cannot continue to pay the taxes that your government under Dalton McGuinty has continually brought in and raised.

**Hon. Sophia Aggelonitis:** I would have to disagree with the honourable member. When you talk about credible people, okay, I can understand that maybe your definition of credible people and mine might be different—

**Ms. Lisa MacLeod:** So are you suggesting people who write letters to the editor and people who contact our offices aren't credible? I think that's a really dicey line we want to go down. Our constituents, after all, are writing to us on their concerns. So if you're taking the big banks over the family budget—that's what I'm hearing you say—I think that we better have a real frank discussion on who's actually sending us to this place and how we actually should be representing them.

Again, your own Premier, in May 1999, said, "I think that for families at the outset there will be an increase in taxation." I think over a period of time what we have seen here in this Legislature is Dalton McGuinty change his opinion on who's actually credible and who is not in this province.

I think that's a real serious issue for your government. It's a bit of a gift to us, but the reality is, if you want a credible response, you need to speak to the people who are affected by this. And it is the family budget, it is the seniors on a fixed income, and it is the small business owners who I see each and every day. Whether they're running a franchise for Tim Hortons or their own small business in a restaurant, they are seeing it pinched.

So again, I want to know why, since we've lost 36,000 jobs, you're continuing to stick to the line that this is a job creator; secondly, if you say the HST will create jobs, I don't want to go back to the "these jobs haven't been invented yet" of the previous minister. I want to know where they're at, when are they coming in, and can you commit to this committee today that you will create 60,000 jobs by July 2, 2011? Can you do that for us?

**Hon. Sophia Aggelonitis:** Again, thank you to the member for her questions. Let me just say that the Ministry of Revenue and the previous minister have done a fantastic job in speaking to Ontarians and talking to them about what they need. What they need is—we're talking about \$11.8 billion in personal and temporary income tax cuts. We're talking about sales tax credits. We're talking about property tax credits.

But there is also information and people who have been very supportive of this whole change. This gentleman, whom I hold in very high regard—in fact, he's the finance minister for the country of Canada, Mr. Flaherty. He says exactly this: "I'm quite encouraged by the fact that the government of Ontario decided to harmonize the PST with the GST. This"—

**Ms. Lisa MacLeod:** Minister, with all due respect, harmonization and looking at this as a blatant tax grab where you could have done what every other province has done, which is either encourage further exemptions like they've done in British Columbia—which, I might add, is seeing a big tax revolt; I hope for your sake it doesn't hit here. The second thing is that many of those provinces actually reduced the rate to make the new tax revenue-neutral. You have not done that, and you haven't shown to Ontarians that it's going to be revenue-neutral. In fact, your previous budgets have this tax being a \$3.5-billion boon for the government, a cash cow for the government, and that's why Ontarians are angry.

Again, I get back to these credible people. They laugh at the fact that someone from Toronto is going to go into their community and say, "We're going to give you more jobs because we're taking more taxes." I've been to those meetings with many of your colleagues, and there is not significant buy-in.

I have to go back to the significant question: Where are the lower prices? You can't commit to that. You can't commit to the new jobs, 60,000 by July 1, and you can't tell me why 36,000 full-time jobs were lost in this province.

My colleagues opposite don't like the answers, and they, quite frankly, don't like the answers because they want to share something better with their constituents, who are angry with this tax hike.

I ask you again: Put the speaking notes away and look at this for what it really is, for the people of this province who sent us here to debate on these issues. Look at it for what it really is: It's a tax hike, whether it's on their Curves in Glengarry-Prescott-Russell, whether it's on the seniors in Brantford, whether it's on the realtors who are living in Mississauga, whether it's on the tourism industry in Niagara. Look those people in the face and

tell them that you can guarantee there are going to be jobs and you can guarantee there are lower prices. I know you simply can't, and I feel very badly for you that they've put you in this position and that for the next year you're going to be the lightning rod for people who feel that they've been taxed too, too much. The reality is, when you look at Mr. Wilkinson, who spent a year in your position, when asked point-blank, "Where are those jobs coming from?" he said, "They haven't been invented yet."

So I ask you, Minister, can you commit to 60,000 new jobs, based on Jack Mintz's predictions, which you prefaced in your opening remarks? Can you commit that there will be 60,000 new jobs as a result of the HST on July 1, 2011?

**Mr. Dave Levac:** Will she be able to answer, Mr. Chair, without being interrupted?

**The Chair (Mr. Garfield Dunlop):** We'll just carry on the way—we don't need your involvement in it, Mr. Levac, at this point. You'll have your time to do the same.

**Mr. Dave Levac:** On a point of order, Mr. Chair: The minister has been trying to answer and has not been able to do so.

**The Chair (Mr. Garfield Dunlop):** Yes. She's also been reading speaking notes. Mr. Levac, this is the way we have operated this committee, that the official opposition and the third party have the right to interfere in the answer. They always continue to do that, all right?

**Mr. Dave Levac:** Oh, I see.

**The Chair (Mr. Garfield Dunlop):** We don't interfere with yours. Okay?

**Ms. Lisa MacLeod:** We let everybody read their speaking notes from the Premier.

**The Chair (Mr. Garfield Dunlop):** Please go ahead.

**Ms. Lisa MacLeod:** I've asked the question. I'd like a response.

**Hon. Sophia Aggelonitis:** I appreciate the question from the member. I do want to really make sure that I put on the record a quote that I think is vital and very important to this discussion, and that is by the Minister of Finance for the country of Canada, Minister Flaherty, who said, "I'm quite encouraged by the fact that the government of Ontario decided to harmonize the PST with the GST. This is jobs, this is investment, this is good economic policy."

He continues, to say that modernizing these retail sales taxes "by implementing a value-added tax structure harmonized with the GST is the single most important step that provinces with RSTs could take to stimulate new business investment, create jobs and improve Canada's overall tax competitiveness." The government—

0940

**Ms. Lisa MacLeod:** Well, Jerry Maguire said it best. He said, "Where's the money?" The question here is, "Where are the jobs?" You can read as many letters from as many different groups as you like and I can sit here and speak up for the little guy as I want to. The reality is there are fundamental questions. You can continue to



obfuscate, you can continue to dance around the question and the answer, but the reality is that I asked you some pretty simple questions. Are you going to commit, as minister—I don't care what Mr. Flaherty says and I don't care what the Economic Club of Canada says at this particular moment; I care what the Minister of Revenue says. Will you, right here, commit to me that you will have 60,000 new jobs in this province created as a result of the HST as per Jack Mintz's report, and then make sure there are 60,000 new jobs for the next 10 years? Because that's what the breakdown is. That's a pretty simple question.

**Hon. Sophia Aggelonitis:** Yes, and in fact, I thank the member for that question. Let me just say the important answer to that question is that the HST is part of a full tax reform package; it's a whole package. And the numbers that you state, you're right: 600,000 new jobs in 10 years, \$47 billion in capital investments in 10 years, up to 8.8% higher annual incomes for Ontarians, \$11.8 billion for Ontarians in permanent and temporary sales tax relief, \$4.6 billion for business, \$4.3 billion to Ontarians for transitional benefits. Some 80% of what businesses save will be passed on to consumers, and 83% of—

**Ms. Lisa MacLeod:** So I take it that, no, you can't commit to 60,000 jobs by July 1, 2011? Okay.

This is the challenge when you're speaking for the people that you represent: You get big, global numbers and then nobody can tell you—they are told there's going to be 600,000 jobs created, so my constituent or the Nepean Chamber of Commerce or the Rideau Chamber of Commerce or the Barrhaven BIA are going to come to me and they are going to say, "I don't understand that. Where are the jobs going to be created, because I'm going to have to let people go?" Then I come here and I ask the previous Minister of Revenue and he says the jobs haven't been invented yet, so in my mind I'm looking at these scientists in a back room with lots of potions concocting these new jobs to invent. So I come back after a few months, when we've seen that Ontario has lost 36,000 jobs after the implementation of the HST, and I ask a very simple question: Based on the economic modelling that we believe you brought forward through Jack Mintz—

**The Chair (Mr. Garfield Dunlop):** You've got 20 seconds.

**Ms. Lisa MacLeod:** —where he promises 600,000 new jobs, which means 60,000 jobs a year over the next 10 years, I ask you, can you commit to me that they're going to be created? The government of Ontario, under Dalton McGuinty, cannot make that commitment. The lack of confidence that you have in giving that number gives me a lack of confidence in actually going back to my constituents and saying that this is a good plan for Ontario, because people are going to continue to lose jobs and they are going to continue to pay higher taxes—

**The Chair (Mr. Garfield Dunlop):** And your time is up with that. We'll now go to the third party. Mr. Tabuns.

**Mr. Peter Tabuns:** Thank you, Mr. Chair. Madam Minister, congratulations again on your appointment.

A lot of the sales pitch on this tax to the public is that there will be a reduction in prices, that businesses will pass along the savings, and although there may be an increase in tax, because of competitiveness and because of a reduction in operating costs for business, there will be lower costs for consumers. I think I'm stating that fairly accurately.

The first question I have for you is, will your ministry be monitoring prices and looking to see whether or not savings are actually being passed on to the public?

**Hon. Sophia Aggelonitis:** Mr. Tabuns, that's an excellent question—

**Mr. Peter Tabuns:** I liked it.

**Hon. Sophia Aggelonitis:** —and, yes, we will be.

**Mr. Peter Tabuns:** You will be. And when will you be reporting?

**Hon. Sophia Aggelonitis:** I can tell you that we will be monitoring them very closely, and I could get you a date. I can't give you a date at this moment, but I will definitely get you a date.

**Mr. Peter Tabuns:** And is there a unit that's been set up within revenue, charged—sorry; it doesn't even have to have been set up. Is there a unit within your ministry that has been given that task?

**Hon. Sophia Aggelonitis:** In fact, yes, there are people at our ministry who will be looking at this directly.

**Mr. Peter Tabuns:** Okay.

**Hon. Sophia Aggelonitis:** And it's very important for the people of Ontario that we see those savings. But you know, Mr. Tabuns, like I said, as a small business owner I was paying the GST and getting it back, never getting the PST back. If I got more money back, it would give me an opportunity to hire someone to help me sell my product.

**Mr. Peter Tabuns:** Well, let's look at one sector. In electricity there will be an 8% increase in people's bills. In Ontario, predominantly, the electricity sector is publicly owned. So the generation is publicly owned and they weren't paying the RST in the past. They weren't paying those extra costs. The transmission companies, Hydro One, weren't having to collect that; the distribution companies. So, as far as I can see, there are almost no costs that they were previously absorbing, and thus they have virtually no savings to pass on to the public. Do you have a calculation that's different?

**Hon. Sophia Aggelonitis:** In order for me to answer the technical parts of that question, I will pass it over to my deputy, but what I would like to say is that when it comes to electricity costs, there is the Ontario energy and property tax credit, which will help offset some of the electricity costs. We know that 83% of what we are spending money on will not see any changes, but we do know that 17% will see a change. So I will pass it on to my deputy.

**Mr. Steve Orsini:** Thank you. If I could maybe just elaborate a bit more on the minister's response, a number of studies have looked at pass-through of savings from business to consumers, and the Ministry of Finance published that earlier this year, in June, in a technical

paper looking at all the various assumptions. The Bank of Canada assumes a 100% pass-through. If you look at the research done by the U of T, if you look at the research of the TD Bank, the evidence is very clear from these independent third party economic researchers that there's a pass-through. TD estimates 80% in the first year.

It's a very complicated model, because if you understand RST now, the primary production, there's tax on their inputs. It goes through the secondary, retail, and it's throughout the chain. Unbundling that is quite complicated all the way through the chain. For example, it's imposed on construction. When you build a building, there's RST on the inputs; 2% to 3% of the total construction cost applies—is embedded in the construction of a building. So unbundling that is a very detailed, methodical way of tracking that.

I know that looking at the impact on prices is something that the Ministry of Finance has the lead responsibility for, but it's something that all economic research shows—evidence in the Atlantic provinces as well—that these savings work their way through the economy.

**Mr. Peter Tabuns:** I'm going to go back. First, it would be useful for me to have a copy of that report done by the Ministry of Finance. Is it publicly available?

**Mr. Steve Orsini:** It is, and we can make copies for committee members to have later on—

**Mr. Peter Tabuns:** If we could have a copy, that would be great.

For me, though, with electricity, the cost is going up 8%, but unless you have figures to the contrary, there isn't an 8% savings to be had on the total cost of electricity from their previous expenditures. So I don't know if there's a reduction in expenditures between the producers, transmitters and distributors that would give you a 1% reduction or a 1.5% reduction, but I don't see an 8% reduction. I would see an increase in the cost of electricity that will not be reduced by a pass-through of savings, an increase in the cost that could be 8%, could be 7%, but will be very substantial. Do you have figures to the contrary?

**Mr. Steve Orsini:** The Ministry of Finance has released some case examples that show how it affects individual businesses, but we need to keep in mind that on 83% of consumer purchases there's no change in their—

**Mr. Peter Tabuns:** Correct.

**Mr. Steve Orsini:** But that part of the economy is also getting now input tax credits. So the savings flow through all the different sectors, and how you roll it up is a very complicated methodological process. It's hard to pinpoint individually where those savings will occur. There are some case examples that the Ministry of Finance published in the fall, but it will work its way through the economy in a lot of different goods and services where the tax status may not change, but those sectors are now facing input tax credits that will be passed through.

0950

**Mr. Peter Tabuns:** I understand that argument, but I want to be very clear: On electricity, which is going to be

a big chunk of people's budgets, the savings are not going to be equivalent to the increased cost from the tax. Is that correct or incorrect?

**Mr. Steve Orsini:** You look at the past overall, and what the Ministry of Finance report also adds is to look at the additional tax cuts, so \$11.8 billion in permanent and temporary tax relief for people, corporate income tax cuts that also will provide savings to business, as well as elimination of the capital tax. A lot of that gets rolled up in terms of what it means to households, and those are published by income level.

**Mr. Peter Tabuns:** In the past, Toronto Hydro, Hamilton's hydro utility and other hydro utilities weren't paying corporate income tax, so there are no savings there. Hydro One wasn't paying corporate income tax, to my knowledge; I don't see a savings there. OPG is the same. I don't see a savings in the electricity sector that is going to offset that 8% increase. You've talked to me very generally about the structure. Do you have figures that show that the 8% increase in electricity cost will be offset by a reduction at input cost for electricity producers and distributors?

**Mr. Steve Orsini:** The area of the pricing of electricity may be more appropriately referred to the Ministry of Finance or the Ministry of Energy. I should point out, though, that the electricity sector does pay payments in lieu of corporate income tax and capital tax, so they are affected by those changes as well.

If you look at the total tax package that provides tax relief to business and tax relief to people, and roll up what that means to individual households, it's clearly laid out in this paper that was produced back in June that says that for low income, they're better off; for middle income, they're more or less neutral; and for higher income, they might be paying a bit more. This is very consistent with the TD Bank and very consistent with the research done by the Canadian Centre for Policy Alternatives. They actually came to the same conclusion that overall, when you look at the total tax package, it's progressive and provides tax relief for low-income families.

**Mr. Peter Tabuns:** I'm sorry, Minister; I'm just going to go back. Are you telling me there's going to be a rollback in payments in lieu?

**Mr. Steve Orsini:** Whatever affects corporate income taxes, it mirrors in payments in lieu.

**Mr. Peter Tabuns:** The total increase in cost for electricity overall is going to be 8%. What is going to be the reduction in cost in the electricity sector to offset that 8%? How much of that 8% is going to be offset by reduced tax costs?

**Mr. Steve Orsini:** One of the things that the study tries to show is that when you roll up all the changes, as opposed to looking at individual ones, because it really depends on a number of things—people's purchasing and consumption patterns; it varies by household. What the study does is look at all consumer spending, all the changes, all the tax relief and provides a comprehensive look: What does it mean to households by level of income? It includes all those elements, it reflects the fact



that 83% of spending doesn't change, and it also includes the 17% where the tax status does change, and that includes electricity, home heating, gasoline and those other items. But it's all rolled in to show what it means in total at the end of the day to households by level of income. It's very consistent with what other studies have shown as well.

**Mr. Peter Tabuns:** I appreciate the way you go back to that analysis, but in the end, when you don't give me a concrete response to my question about offsetting reductions and tax costs as opposed to increases from the HST, that says to me that you don't have an answer. I take vagueness and circularity as an indication of a lack of information. No offence to you; I understand that you have to present the picture in a particular way. But I come away from this saying that you don't have an answer for me on the impact on electricity costs. I'm going to continue to assume that electricity costs will go up by 8% and there will be little or no offset from reduction in taxes paid out of the electricity sector.

I'll go on to the gas sector. I'm a customer of Enbridge. I pay my gas bills, and roughly half of my cost is for gas and the rest is for distribution—delivery to my home. Now, the gas is produced in Alberta, not here, so an Alberta producer is not going to see a reduction in costs from the HST being introduced in Ontario. Half of that cost is going to continue to be charged at the price it was charged in the past. There will be no tax relief there.

The bulk of the transmission system is in-ground. The largest capital cost has already been made. So half is the raw material; it isn't going to be affected by the HST. The other half is largely going to be the in-place capital on which there will be maintenance, but there is not going to be a significant reduction in cost because we have something already in place. There will be an 8% increase in the charge. Is there an offsetting reduction in operating costs for gas utilities that will, in fact, show up as a reduced cost for me on my gas bill? Can you answer that question?

**Hon. Sophia Aggelonitis:** Mr. Tabuns, if I could just begin before the deputy gives you a more technical answer, we have always been clear that 83% of what we spend is going to see no change and 17% of what we spend is going to see a change. What we know from experience, by looking at the Atlantic provinces and other places—140 other countries—that have implemented a tax like this, is that we've seen costs reduced. We know that we can't reduce all the taxes, but what we can do is commit to making sure that the average household has as many tax cuts and tax credits as we possibly can give them. At the end of the day, we know that the HST and the whole tax package is about building a stronger Ontario. We know there are going to be some increased costs, and some of those increased costs are ones you're speaking about.

**Mr. Steve Orsini:** There are so many goods and services, and I hear your questions trying to find a thousand different price changes within the entire economy. What the government did, and what the Ministry of

Finance has done, is try to present that as a complete picture and show what it means to individual households when you factor in the change to the HST, when you factor in the low-income tax credits, personal income tax cuts that apply to 93% of Ontario income taxpayers and the Ontario energy and property tax credits.

When you roll it all in, we're presenting that in quite considerable detail, because there are thousands of different commodities and prices. This is presented as a complete picture to help educate what it means to individuals in certain income levels.

**The Chair (Mr. Garfield Dunlop):** You have five minutes, Mr. Tabuns.

**Mr. Peter Tabuns:** Five minutes? Time passes when you're having a good time, Mr. Chair.

You're right: The reality is that 83% of what we purchase continues to have the same 13% tax imposed on it. So 17% of the goods and services we purchase will now have tax on them. Your government is claiming that because of offsets there will be a significant benefit to consumers; there will be an amelioration of price increases. But if in that 17% that wasn't previously taxed we don't see any substantial reduction, then there will have to be more than an 8% reduction in costs in that 83% to actually make up for that increase in our costs.

So far I haven't gotten any numbers from you showing there will be a reduction in electricity costs that will offset the 8%; no statement about natural gas prices that will offset the 8%. When I look at oil, when I look at gasoline, when I look at your own figures from the Ministry of Energy and Infrastructure, 45% of the cost is from crude oil, and Ontario and federal taxes are about another 30%. So let's say that 74% of the cost of gasoline is not going to have an offsetting reduction in taxes; there will be an 8% increase on top.

**1000**

I don't see where we're going to get a reduction in the cost of gasoline with reduction in input cost for business. We're talking about very big price chunks where we'll see an 8% increase and no offset. I don't see where, in the rest of the 83% of goods and services that I buy, I'm going to see a greater than 8% reduction to make up for these higher costs. How do you analyze that?

**Hon. Sophia Aggelonitis:** If I could answer that, I think, Mr. Tabuns, you have been very eloquent in your comments. The fact is that we know that there's going to be a transition. We are seeing the transition as of July 1; that's why the federal government has helped Ontario with a transition benefit cheque. We know that by helping Ontarians with this—every single penny from that transition cheque has gone into Ontarians' pockets.

The tax cuts, the personal income tax cuts, the sales tax credits and the property tax credits, the whole package is meant to help the Ontario homeowner. We know it's going to be a transition, and we know that 17% of the goods that we purchase will see an increase and not a decrease. What we do know is that 83% will see no change.

But again, at the end of the day, the whole package is all about making sure that Ontario is more competitive,

that we have more jobs, and not only more jobs, but higher-paying jobs for Ontarians. That's what this is all about. We know that going through a transition is going to be a process, and we're very committed to making that process as easy for Ontarians as possible.

**Mr. Peter Tabuns:** How much time do I have left?

**The Chair (Mr. Garfield Dunlop):** You've got a minute and a half.

**Mr. Peter Tabuns:** A minute and a half?

**Mr. Bob Delaney:** Don't spend it all in one place.

**Mr. Peter Tabuns:** I appreciate the argument that you're making, but in fact, from everything you've given me so far this morning—or not given me—you're setting off inflationary pressures in the Ontario economy that I don't think your program is going to mitigate. I think that the importing of large volumes of products and goods from outside the province, ones that will not have their cost reduced by the input tax credits, means that there will be inflationary pressures that you will not be able to mitigate with your program. That's of consequence to our long-term competitiveness.

I think that's a problem, and I think that you need to come back to this committee and tell us precisely, in that 17% of newly charged areas, what, in fact, the offsets are going to be, because if they are not substantial, then the other 83% is going to have to give us a lot more than an 8% savings to mitigate the inflationary pressures. That, I think, is the substantial problem with what you've presented to us. With that, I wrap up.

**The Chair (Mr. Garfield Dunlop):** We'll now go to the government members for 20 minutes.

**Mr. Bob Delaney:** Chair, just before I start, are we going to 10:15 or to 10:30?

**The Chair (Mr. Garfield Dunlop):** To 10:20.

**Mr. Bob Delaney:** Okay, thank you very much.

**The Chair (Mr. Garfield Dunlop):** That'll finish your complete 20 minutes.

**Mr. Bob Delaney:** So I'll finish that full rotation. Okay.

Welcome, Minister. I, too, wish you all the very best in your new portfolio, particularly because you're now my minister. That makes me, at this particular session, I suppose, your quarterback.

Minister, as you probably well know, you and I, whenever we try to talk, keep getting blipped out on the cell phone, so I actually have one of my very first chances since you were appointed this summer to bring you up to date on some of the things that our ministry has been doing. With your indulgence and that of my colleagues, I'd like to do a bit of a preamble to what is going to lead to something that you can speak of from first-hand experience, which is small business.

I'm going to start by referencing this letter from the Economic Club of Canada; I'm just going to quote very briefly from it. It says, "Currently, the RST"—referring to the old provincial sales tax, which no longer exists—"is charged on a broad range of inputs purchased by businesses to manufacture products and provide services. This tax"—referring to the old PST—"becomes em-

bedded in the cost of goods at each stage of the production, distribution and retail processes. The result is a compounding of the tax that is ultimately paid by consumers through higher prices."

On your behalf and that of our former minister, John Wilkinson, Yasir Naqvi and I, your two PAs—Yasir has since been traded—have been going about Ontario. Among the things that we've been talking to Ontarians about has been this compounding effect. As people have asked about it and asked us to explain it, we have, and I've just used very simple explanations to show the effect of compounding; that in fact, you are not paying actually an 8% sales tax, but depending on the rate at which things are taxed and how many steps there are in the value chain from the raw materials or the parts until the time it passes through manufacturing, wholesaling, distribution, transportation and retailing and ends up in the purchaser's hands, you may be paying anywhere from 15% to, in some cases, well over 30% of your final purchase price being tax. Now all of that is gone and is replaced with just one tax.

All of us who, in their businesses in the past—certainly I know what the case is for you, and I remember in my consulting business, when the GST first came in, thinking to myself, "What is this going to do to me?" I realized that by the time I was able to deduct my business inputs from the GST that I charged my clients, I thought, "Well, this is quite manageable." It was also very simple.

For most people who may be doing what I was doing at the time, which was running a home-based business, or maybe doing what many of my constituents are, running a hairdressing salon or a spa or a place that does nails, things that have not heretofore been charging PST, as I've gone in and out of their shops—and I've visited every single retailer; everybody who does everything in the riding has had a personal visit from me—they've grasped it. They understand it. The key obstacle was to understand that, for all practical purposes, it's just one tax—it is just one tax. It's the GST, and there are some exemptions from the 8% portion of the combined GST, but everything else is one tax, one set of rules, one set of forms and one set of bureaucrats, and it's a simple set of rules.

My colleague from Toronto—Danforth, if I can follow on a point that he raised, discussed the notion of flowing through the savings. As I was coming into work yesterday I was listening to the radio, and several times there was an ad from a tile and flooring company. They talked about their product and they said, "And we pay the HST." I thought, "Here's the first person"—and there are many that are in the newspapers—"who's just admitted that they're flowing through the savings." No one is going to advertise and say, "We have reduced our prices because of the HST." I mean, this is marketing, and that's the way the game is played, but they'll find another way of saying much the same thing. But the end result is that they have now begun to flow through the savings, and those savings stem from lower business taxes and lower business input costs.



What it has meant for businesses, and particularly the small businesses that are now driving the economic recovery, is that by the time they look at volume that may not be significantly changed from last year unless they come from an area like mine where they keep building houses, so the customers continue to walk in the door—for doing the same volume of business, you're now earning more money, and if you're earning more money, you can deal with your higher earnings in a number of ways. One way is, you can find some euphemism that basically lowers your price, and another way is that you can say, "Gosh, you know, we're so overworked here. We could really use somebody in part-time or full-time," and you hire a person. So one of the things that we're beginning to see is Ontario's cumulative package of tax reforms stimulating the economy, bringing people back to work, lowering prices, making business more competitive.

1010

To that end, I have often related a number of conversations I had, in this particular case with business people from the oriental communities. I had much the same conversation a number of times. After discussing with me things to do with the HST, people said to me, "A lot of us have asked you questions that were related to implementation. Understand who we are and where we're coming from. We're oriental businesspeople. We fly back and forth to China, to everywhere in South Asia and to Europe all the time. We understand the concept of a value-added sales tax. We know what it's like to deal with it; we know what it's like to pay it." What several of them said to me in various ways, I can kind of encapsulate this way: "You should grasp this concept: We're kind of depending on the fact that people who don't do a lot of travelling will try to be greedy and not pass through the savings. Because when they do that, we intend to make their customers our customers, because we can compete more effectively on price and we'll make their clients and their users our clients and our users and we're not going to give them back." I thought that was a very interesting comment, because I've heard versions of that several times.

I do my pre-Christmas and post-New Year's "winter walkabout," as my staff calls it, where, as I told you earlier, I literally visit every retail business every year. In this past year I've talked to people, overwhelmingly small businesses, who wanted to either vent, talk or ask about the tax reforms. A lot of them said, "We've been talking to our accountant, and one way that we can seamlessly integrate this is we can absorb the cost. In other words, what we're going to quote our clients"—and these would overwhelmingly be service-related businesses—"is an all-in price. What you see is what you pay." Some were considering it, some did implement it, some still had to think about it and talk to their clients, but that seems to be one of the other ways that we're going.

If one looks into the future—in other words, "Where has a value-added tax been implemented and where have they ironed out all of the glitches in it?"—you can look to

Europe, for example. In Europe, the value-added tax is higher than it is here. In Britain they've just raised it to 20%, but when you buy something in the store and it says £49, that's what you're paying: £49. It's when you read the small print at the bottom of the bill and it says that, "Your purchase price today consists of a VAT of" whatever—in this case, if it's 20%, that would obviously be £8. The same thing in Europe, where, if you go into a store and you're going to buy something and the price says 95€, you can look down and it will say, in whatever language it's printed in, "Your purchase price contains VAT of" however many euros.

Some of the things that people have talked about reflect the fact that not everything is going to fall or increase in price at the same rate. We do know that in the implementation of a value-added tax in 140-plus jurisdictions, costs fall. We can see in recent history, if we look at the consumer price index in Quebec and Atlantic Canada, in the years leading up to and following the implementation of a value-added tax—the HST—in Quebec and Atlantic Canada, that while the rest of Canada continued to rise at one slope, the rate—the slope of the line—at which the consumer price index rose in those provinces that implemented an HST was visibly, measurably lower. Indeed, the TD Bank's projections of 80% of the savings being in the hands of the consumer within the first year have got to be fairly close to bang-on, because recent historical experience in Canada in Canadian funds using Canadian consumers buying Canadian products bears that out. There's no reason to believe that Ontario, which is a much more viciously competitive market, will be any different. To suggest, for example, that retailers will simply hoard the cash and not pass it through suggests that the laws of market economics apply everywhere else in the world except Ontario, which is nonsense.

As my friends who run particularly ethnic businesses say, and I'm going to use again an Asian business, "If you want to sell to an Asian market and you're out to lunch on your price, you're done like dinner." Canadian consumers are no less savvy. They know where the best deals are, and they will gravitate to the best deals. So the business practices of merchants are going to follow the laws of market economics.

Talking about some of the things that have risen or fallen at different rates, we're talking about the impact of a change in taxation policy, but in looking at things that have changed at different rates since the inception of the provincial sales tax, which was first implemented in 1961—to give you an idea, what was the world like in 1961? I was alive. I'm not sure whether the minister was alive, and a gentleman would never ask. The Chair was alive; we know that. There was a brand new Premier in Ontario, a young guy named John Robarts. There was an even younger guy who was a Brampton lawyer who was in his very first term in government, and his name was Bill Davis.

When that sales tax was implemented, it was implemented at 3%. It was successively raised over time as

people realized this was one way to pay for the things we wanted as a society, and it was a way, at the time, to fairly distribute the burden of paying for it.

How am I doing on time, Chair?

**The Chair (Mr. Garfield Dunlop):** You have got about seven minutes left.

**Mr. Bob Delaney:** Oh, good. Thank you very much.

In 1961, housing was very cheap. Education was very cheap. Energy was almost negligible, but other things that were expensive at the time consisted of manufacturing goods. To make a long-distance call was very expensive in the early 1960s. Clothing was expensive. But since then, what we've seen are many things, when evaluated in constant dollars—in other words, adjusted for inflation—many things that we use today have just dropped through the floor in price. But other things—and I'm going to use housing, education and energy. Although there are other things that have gone up in price, those things have risen faster. But overall, the full basket of goods and services that people buy and people consume and use from day to day has allowed the average person to live the kind of life that, in 1961, we couldn't even conceive of. We were, as a nation, a less affluent nation then than we are now.

This is continuing in our evolution of thinking about how, as a society, we continue to afford the things that we want and need. It also says to us, as a society where many of our citizens are becoming older—in 1961, when the provincial sales tax was first implemented, for every senior in Ontario there were, I believe, 12 people in the workforce. Today, it's eight. By the time we, the self-indulgent baby boomers, who of course are entirely undemanding, are ourselves seniors, there will only be four.

So our challenge as a province—and I say this without regard to who runs the province for the balance of the 21st century—is, what changes do we need to make now to ensure that we can continue to be as fair, as compassionate, as understanding and as able to meet the needs of our citizens, young and old, newcomers and well established, in the future as we have been in the past?

It was this kind of thinking that impelled your predecessor and our Minister of Finance, our government and governments across Canada and governments around the world to look very carefully at how we tax everything and say, "Are we doing the best job we can with the resources we have?" That's not to say that at the time, in 1961, this was the wrong thing to do. Indeed, taxing consumption was the right thing to do. But, at the time, in 1961, the words "service" and "sector" were not connected because, for all practical purposes, it didn't exist. Even 10 years on, there was a service sector, and 20 years on, that service sector was driving the economy.

Twenty years on, we had a system that worked pretty well, and while we arguably should have changed it in the 1970s or in the 1980s, for whatever reason at the time, we simply chose not to. Now is better than never. A generation ago would have been better than now. But the

change is made, and some things, as the members have observed accurately, will go up and other things will fall. Many of those things, such as manufactured goods, clothing—let me give you a couple of examples that I know from my own Peel region.

The region of Peel has estimated that in their purchases of vehicles alone, each year the implementation of the HST will save the Peel taxpayer \$36 million in buying police cars and vehicles and doing repairs and whatnot. This means, for us as taxpayers, that's \$36 million that's simply not going to get added onto our tax rolls. That, for us, particularly in a year when the region of Peel, although we did very well during the recession—we were hit by it. People lost their jobs, and there are some empty stores that I visited in December and January, so I'm not sure where they've gone. In coming out of the recession, this is easing the pressure on the city of Mississauga, the city of Brampton and the region of Peel, which simply don't have to increase the cost of living in our communities because of some of the savings that are going to be passed along.

Particularly for low-income families, who make up the heart and soul of every community, the question facing our government and the question facing them is, "What can you do now that's going to make my prospects brighter as we move out of the recession and into the recovery?" In adopting the package of measures that we have, what people are telling me is, we've walked through it—how am I doing, Chair? Am I almost done?

**The Chair (Mr. Garfield Dunlop):** You've almost used that 20 minutes up.

**Mr. Bob Delaney:** Okay. Well, as we—

**The Chair (Mr. Garfield Dunlop):** You're not going to give her a very long answer; I can tell you that.

**Mr. Bob Delaney:** Chair, I tell you what. I'll defer this question until we come back this afternoon. We'll go back at it. I'm sure Mr. Bailey will have a few comments at that time.

Minister, with your indulgence, I'll finish my preamble to the question when we resume this afternoon. Thank you, Chair.

**The Chair (Mr. Garfield Dunlop):** Thank you, Mr. Delaney.

That wraps up our time here this morning. We'll recess until this afternoon.

This afternoon, we'll begin with the official opposition with 20 minutes, and then the third party and the government. We'll finish off with 10 minutes each for the wrap-up this afternoon.

Thank you very much, Minister and staff. We'll recess until right after petitions this afternoon.

*The committee recessed from 1022 to 1547.*

**The Chair (Mr. Garfield Dunlop):** We'll call the meeting back to order. We're resuming consideration of the estimates of the Ministry of Revenue, vote 3201. There is now a total of one hour and 30 minutes remaining. When the committee adjourned the last meeting, the government party had finished its 20-minute turn. We now start this round of questioning with the official



opposition for 20 minutes, followed in turn by the third party and the government for their next rounds. After this, we anticipate we'll have a final round of 10 minutes per party.

Now I recognize the official opposition. Ms. MacLeod, you have 20 minutes to begin your rotation.

**Ms. Lisa MacLeod:** Thank you very much, Mr. Chair. Welcome back. I wasn't expecting that we were going to go so early, so that's great.

Earlier this morning, Minister, you refused to stand behind the 600,000 job guarantee by not stating that you expected to meet the 60,000 job target on July 1, 2011. If that's no longer the case, what is your party's new policy on those 600,000 so-called HST jobs?

**Hon. Sophia Aggelonitis:** Thank you for the question. The estimate of almost 600,000 net new jobs being created was from a study from a highly respected economist, Jack Mintz, who used the best available data to come up with that projection. I may say that his detailed conclusions are backed up by the views of eminent economists, business leaders, poverty advocates and others.

My honourable friend would like me to provide a list of what specific jobs will be created on any given day, but if you asked me that question 10 years ago, if we had talked about BlackBerry, you would think that I was talking about a fruit. We don't talk about BlackBerrys now as just fruits.

**Ms. Lisa MacLeod:** Let's not go down that road. The reality is somebody was promising 600,000 jobs based on a report. The report hasn't materialized. You're not ready to commit to the 60,000 new jobs by July 1, 2011, let alone the whole 600,000 by the end of 10 years, so there's a real credibility problem. I'm wondering what's changed. I'd like to know if you could table a report that has made you and the government back down from guaranteeing that there will be 600,000 new jobs that the previous Minister of Revenue suggested as a result of the HST.

Again, let's keep in mind that, in the last few months, you have lost 36,000 jobs on your watch. So if I can't see that report, then I'm going to have to really question the credibility of the government's plan here. Again, it goes back—and I apologize, you weren't here earlier, but the official opposition had requested several times what economic model the government used previous to Jack Mintz. Mintz came out after you decided to do it. What made you decide it, and why are you using Mintz's numbers and now backing away from Mintz's numbers and unable to meet that commitment?

**Hon. Sophia Aggelonitis:** To the honourable member again, we will not only create 600,000 new jobs, we will also have new investment in the province of over \$47 billion. We also will see an increased average income by 8.8%—

**Ms. Lisa MacLeod:** How do you know that? Because Jack Mintz said?

**Hon. Sophia Aggelonitis:** Not only Jack Mintz, but many economists and third parties who have given us some very good information. In fact, I would like to—

**Ms. Lisa MacLeod:** Sure, but earlier today, I asked you, for example, for a list of 10 items that had lower prices as a result of the HST, which was another commitment that you made. You couldn't give me that. I also asked earlier, if you remember one of my first questions, how much money the government has taken in since the HST came into effect. Your colleague who served previously as Minister of Revenue said, "With 92% accuracy, we're going to be able to tell how much money the government takes in." You couldn't give me that information.

I appreciate that what we're trying to do here is talk about experts and analysts, but that doesn't really mean much to Joe and Jane down on Main Street. They really want to know, where are these jobs that you're promising? What are those jobs? Are they well paying? What region? Are they going to be in their region?

You can't make that commitment, and I think it's really disingenuous, actually, for the government of the day to continue to pretend that there are numbers; they just draw them out of a hat. You probably will remember the one that George Smitherman was famous for: 50,000 green energy jobs that were going to come. I don't think they've materialized either.

So by my count, on those two projects, that's 650,000 jobs this Liberal government has promised. Yet in that same period of time since those two bills were passed, you've lost 36,000 jobs. There is a real credibility problem. I'm happy that you guys paid for Jack Mintz to do this study and you like to tout it, but the reality is, if you can't give us the number and you can't provide us with the report and you can't provide us with the amount of money you've brought in and you can't provide us with a list of at least 10 items that have gone down, I really regret to say that, at this point in time, your implementation has been a failure.

I'm wondering, have you seen a report or read a report that you can provide here today that has shown, in the last two and a half months, any lowering prices or any job creation as a result of this?

**Hon. Sophia Aggelonitis:** I do have a report that I hope we can table, Chair. It's the report from the Ministry of Finance called Ontario's Tax Plan for Jobs and Growth. It's a technical paper. I think you'll find a lot of good information in there.

But to the honourable member, I just want to say that this government has faith in Ontario people, we have faith in our families, we have faith in our business leaders, and we have a plan. Unfortunately, we haven't heard your plan because just days before—

**Ms. Lisa MacLeod:** Minister—

**Hon. Sophia Aggelonitis:**—when you wanted to—

**Ms. Lisa MacLeod:** Mr. Chair, if I might interject here, this is about an accountability session for the Ministry of Revenue. If the government is going to give you months-old speaking notes after you came in, I can't do anything for you. The reality is, your government brought in a \$3-billion tax grab, and people across the province are paying for it. They're people on fixed incomes who are seniors. They are people in middle-class

families who are trying to put their kids through various activities in school.

You can't come here, no one in this room can come to me, and tell me where the jobs have been created that you promised. No one expects all 600,000 to occur overnight, but if you're going to make a commitment that there are 600,000 new jobs coming into this province as a result of one of your policies, you'd better have an implementation plan in place and you'd better be able to tell me where they are going to be located, if they're going to be well paying and what sector.

I'm not going to buy "They haven't been invented yet"; I think that's the biggest insult anybody here has heard. We know for a fact that prices have gone up in this province and we know for a fact that we've lost jobs. Somebody has got to be held accountable for that. That's not a government for a year or five years down the road; it's got to be the government that's sitting here in this chamber and in this committee today.

I've been to your ridings and I know there's hardship there. We know from the paper here that has been provided by the Canadian Centre for Policy Studies that the tax rise from the tax regime change is much higher than suggested by your government.

I'm going to go back to a very simple question. Where are the jobs? What are the jobs? How much are these jobs going to pay? Can this government promise that on July 1, 2011, the first 60,000 jobs promised for the HST will be in place here in Ontario? Can you make that commitment today?

**Hon. Sophia Aggelonitis:** Again, I thank the member for that question. I'm going to ask my deputy to talk a little bit more about the technical aspects of her question, but I have only one answer for you, and that is that this government has a plan. I just was wondering, do you have a plan?

**Ms. Lisa MacLeod:** I'm asking a question on your plan. There's no need for me to talk to the deputy minister if I'm going to be questioned about the government's specifics. The reality is, there's only one government of Ontario. You happen to be sitting in it. Quite frankly, it's insulting for you to deflect your responsibility.

**The Chair (Mr. Garfield Dunlop):** I'd like to see the deputy have the chance to respond to that, Ms. MacLeod. Deputy?

**Mr. Steve Orsini:** I'm just going to refer to a couple of documents. I think they might help in the discussion. The minister had referred to this document earlier. It was also in the federal budget of 2008.

The federal 2009 budget is very clear that the single most important step that a province with an RST, such as Ontario, could take is to harmonize with the GST to stimulate new business investment, create jobs and improve Canada's overall tax competitiveness, to the point that the federal government gave Ontario \$4.3 billion, because it's not only in the province's interests, it's in the national interest as well.

We also had the experience in the Atlantic provinces—

**Ms. Lisa MacLeod:** Well, let's talk about the Atlantic provinces there. I have a little bit of experience, having grown up there and actually seeing what happened to the underground economy there. We could talk about the underground economy. This is a natural segue as to what happened in Atlantic Canada and how the home renovation sector and the construction sector went underground. You listen to the ALTIS Group or you listen to home-builders in that province, in which I have a few members of my family, and you talk about what happened there and what's happening here. You can hear it in some of these studies that have been done, where one third of that sector went out of business, one third stayed in business and one third went underground.

Earlier today, the minister herself, Deputy Minister, made reference to how they looked at the Atlantic provinces in crafting the HST. Again, I think it's disingenuous not to tell the whole story. They make accusations quite a bit of the time, but there they also significantly reduced the HST. I don't know if you're aware of that, but they significantly reduced the tax burden by four points.

**Mr. Lou Rinaldi:** Nova Scotia went up.

**The Chair (Mr. Garfield Dunlop):** I'll let you have a chance in a minute, Mr. Rinaldi.

**Ms. Lisa MacLeod:** Nova Scotia went down. Louie, if you followed the program, you would realize they dropped it by four points; they dropped it in New Brunswick by four points and they dropped it—I'm sorry, that was three points each there and four points in Newfoundland. Nova Scotia, after Darrell Dexter took power last year—this might be what you're talking about—decided to increase it, but the initial time, they actually made it revenue-neutral. You guys haven't done that, and you're playing around with people, telling them that you did. Quite frankly, you haven't done that. That's one difference.

The second is, you're not being completely clear about the underground economy and the impact that that has had in that community.

The third thing that you're not being particularly honest about when it comes to that region is the significant investments in offshore and the oil and gas sector that started to come into play during that particular period of time.

We want to talk and throw examples out. I hope everyone here knows exactly what they're talking about, which doesn't exactly seem to be the case.

**1600**

I'll just go back to the minister. You made reference that you looked at the Atlantic provinces when crafting the HST. Did you look at that, or are these just sort of talking points that have been handed to you? Because, again, there are some significant challenges there, and the reality is, you must be aware that our two economies are quite different.

**Hon. Sophia Aggelonitis:** Again, I thank the honourable member for the question talking about the underground economy as well as the Atlantic provinces.



I will ask the deputy to speak to some of the technical issues, but when it comes to combatting the underground economy, it is a priority for our government. In fact, the Ministry of Revenue is committed to supporting a competitive business environment through a level playing field in tax administration and by ensuring that all Ontario taxpayers are compliant with their tax obligations. There are many risks for consumers who do pay under the table for a job. If you pay under the table, you (1) have no warranty; (2) have no recourse for poor service or workmanship; (3) have the added risk of liability if there is danger or damage or injury that takes place through your property.

The ministry is working very hard at this. We're committed to it. We're working with our partners in other jurisdictions, including the Canada Revenue Agency, to address this serious issue—

**Ms. Lisa MacLeod:** But how you stop it, I guess, is the question. The previous minister said that you had a massive education program through your department. I don't know if you still do, and you can probably enlighten us on whether or not that happens. But how do you go to, for example, somebody who wants to get their lawn care done and they go to their next-door neighbour and they say, "I used to go to this company, but I can't afford to pay the HST"? Or there's the earlier example that we used today from Larry Horowitz of Bradford, who was talking about the family swimming pools and that the neighbours are all going to help each other. The government's not going to get that revenue. Those services are going to go underground and probably put people out of business. The reality is, that's out there. That's happening.

Mark Sutcliffe on CFRA News in the city of Ottawa, where I live, had a segment, which I agree with, trying to educate people. But the reality is, if they don't have the money, Minister, they're going to go underground. So the only way to shed some light on that underground economy is through lower taxes so people feel it's feasible to actually use those services from a real employer. And I get it; I understand that if you hire a contractor in the underground, you're not getting the consumer protections, and you all know that from your previous portfolio. But the reality is, it's happening, and it's happening because of high taxes. We warned your previous minister that this was going to happen through the various stages of the previous bill.

So we've got an underground economy. You knew it was happening in Nova Scotia, or at least your department should have known it was happening in Nova Scotia, and we're still doing it. There are no incentives, for example, in the home renovation sector to bring that underground economy back into the sunlight. It's happened. Again, we look at those 36,000 jobs that were lost. When you couple that we've already lost those jobs, we've got an underground economy, and you seem to be backing away from that commitment to 60,000 new jobs by July 1, 2011, which would mean that we're probably never going to meet that target of 600,000 new jobs in 10 years, there are serious concerns—

**The Chair (Mr. Garfield Dunlop):** You have five minutes, Ms. MacLeod.

**Ms. Lisa MacLeod:** Thanks. I'll let the minister respond.

**Hon. Sophia Aggelonitis:** Again, thanks to the honourable member for that question, because she brings to light a very serious issue, and that is the underground economy, which is a priority for the government, like I mentioned. We do have education programs. We are committed to a very competitive business environment.

She did mention that we do not have consumer protection when it comes to people who will use a service that is in the underground economy. There's no way we can help in any way, because it's really important that they do have a warranty; it's very important that they have a signed contract. That's why we're putting resources into the underground economy. It is a priority. We will continue to work with different jurisdictions. The important thing is that the underground economy hurts all Ontario taxpayers and we want to make sure that we do everything that we possibly can to protect Ontario taxpayers.

**Ms. Lisa MacLeod:** Thanks very much, Minister. I have another question; it's a different track. Right now we see a ruling yesterday in British Columbia that there will be a binding referendum in British Columbia on the HST. If taxpayers in that province are successful, that will be overturned. I heard the Premier's messaging on this.

Would you be prepared to table the government of Ontario's documents on that scenario?

**Hon. Sophia Aggelonitis:** I think that the referendum is really an issue—I would not speculate or talk about BC, but I will say that the HST and the whole tax package is about making Ontario more competitive. If British Columbia is not in that mix, it's just another competitive advantage that Ontario would already have.

**Ms. Lisa MacLeod:** So you're not prepared, then, to table your documents, your talking points, your transition points—all those items that would have come up as a result of this, all the background documents on what the province of Ontario has viewed as a political issue in British Columbia and a practical issue here in Ontario?

**Hon. Sophia Aggelonitis:** What I can say is that when you look at this tax reform package, it's about better jobs and being more competitive. It's about having faith in Ontario, building our stronger economy. That's what we're committed to. We know that October 2011 is when the good people of Ontario will look at our record.

**Ms. Lisa MacLeod:** Okay.

**The Chair (Mr. Garfield Dunlop):** You have two minutes left, Ms. MacLeod.

**Ms. Lisa MacLeod:** I guess the point is that previously in the spring session I asked that we delay implementation of the HST until it was put to a vote by Ontario residents through the next election as part of a referendum package. That obviously didn't make it to a vote; there were a lot of issues dealing with that.

I guess what I'm asking is, could you provide to this committee, and table, any documentation the Ontario government has that deals with that scenario? Could you provide that to our committee?

**Hon. Sophia Aggelonitis:** What I will say to the honourable member is that I'm not going to speculate. I'm going to say that we have a plan right now. It's the right thing to do. We have a great tax reform package. It's for the people of Ontario, and we're committed to that.

**Ms. Lisa MacLeod:** So you're not going to speculate publicly. Is there a paper, yes or no? Is there a document that the government of Ontario has prepared based on its response to what happened in British Columbia and the scenarios put in place there?

**Hon. Sophia Aggelonitis:** What I can tell the member is that the tax reform package we have introduced, which started in January of this year with tax cuts to 93% of Ontarians, and on July 1, we saw the introduction of the HST—we are committed to making sure that Ontario is strong—

**Ms. Lisa MacLeod:** So that's a no: You don't have a document, or you do have a document and you're not prepared to share it. It's a reasonable question.

**Hon. Sophia Aggelonitis:** Again, to my deputy.

**The Chair (Mr. Garfield Dunlop):** Just a quick response.

**Ms. Lisa MacLeod:** Sorry, I had asked the minister. It's about ministerial accountability. I wouldn't mind if the minister provided me that answer.

**The Chair (Mr. Garfield Dunlop):** You've only got another 30 seconds, so one of you has to answer something.

**Ms. Lisa MacLeod:** Just yes or no.

**Hon. Sophia Aggelonitis:** My answer to you is that we are committed to building a stronger Ontario.

**Ms. Lisa MacLeod:** Yes or no? So no or yes?

**The Chair (Mr. Garfield Dunlop):** Deputy, you have about 30 seconds.

**Ms. Lisa MacLeod:** That's fine. Thanks. Ministerial accountability—

**The Chair (Mr. Garfield Dunlop):** Are you happy with that?

**Ms. Lisa MacLeod:** Yes.

**The Chair (Mr. Garfield Dunlop):** Okay.

**Ms. Lisa MacLeod:** I'm not happy with it, but—

**The Chair (Mr. Garfield Dunlop):** In that case, we'll now go to the third party. You have 20 minutes, Mr. Tabuns.

**Mr. Peter Tabuns:** Thank you, Mr. Chair. Minister, I just want to follow up on this question of the underground economy. Have you done an analysis—has your ministry done an analysis—of the potential growth in the underground economy arising from imposition of the HST?

**Hon. Sophia Aggelonitis:** Like I previously said, the underground economy is a serious issue. It's something we take very seriously. For some more technical background, I will ask my deputy to answer that question.

**Mr. Peter Tabuns:** Fair enough.

**Mr. Steve Orsini:** One of the things, as part of our negotiations with the federal government—they are taking responsibility for collecting the HST. The CRA, like the Ministry of Revenue, views the underground economy as a serious issue. In part 9 of the comprehensive integrated tax collection agreement, we built in provisions to collaborate and work with the federal government to ensure that a full-court press is put on to ensure that we address the underground economy. That is built into our framework agreement. It is work that is being done now between both the CRA and the Ministry of Revenue.

As the minister points out, there are a lot of reasons why consumers may not want to engage in the underground economy: the fact that they lose potential warranties, the quality of work, and if someone should be injured on the job it exposes them to higher risks. But we have built into our framework greater tools to address this issue.

**Mr. Peter Tabuns:** I appreciate that. Do you have an estimate of the size of the underground economy prior to the HST's introduction, and do you have a projection on the size of that underground economy post-introduction?

**1610**

**Mr. Steve Orsini:** The underground economy, as such, is underground, and the ability to calculate something that is underground is always a challenge. I think we've been stepping up our efforts, working with the CRA, to address that issue.

**Mr. Peter Tabuns:** I assume, then, that you haven't done a calculation. I note that there is part of the underground economy that you aren't going to touch on, and that's illegal drug sales. The police are able to make estimates fairly regularly on the size of that. But can you tell me the value of the increased resources you're putting into dealing with the underground economy? Do you have that in that agreement? How many staff have you assigned and what's going to be the cost of policing?

**Mr. Steve Orsini:** We don't have that offhand. It's something we could follow up on.

**Mr. Peter Tabuns:** Could you provide us with that?

**Hon. Sophia Aggelonitis:** Follow up on that?

**Mr. Peter Tabuns:** Yes, provide the committee with a report on the increase in resources, staff and cost of labour to increase policing of the underground economy.

**Mr. Steve Orsini:** We may have to also reflect what the CRA is doing.

**Mr. Peter Tabuns:** That would be fine.

**Mr. Steve Orsini:** Remember, they're now collecting Ontario's corporate income tax, and there are funds put aside for corporate income tax and for the HST.

**Mr. Peter Tabuns:** I'm primarily interested in knowing what it's going to cost you to go after the underground economy, what you've allocated to actually take on that task and have the impact you hope to have.

**Hon. Sophia Aggelonitis:** Yes.

**Mr. Peter Tabuns:** That's accepted? Okay.

Exemptions: Under your agreement with the federal government, the province is allowed to make HST



exemptions, and that shows up in the budget as well, provided the total value of the exemptions is under 5% of the GST base. According to page 156 of the budget, the government's exemption total is about \$600 million. How much room is left under the 5% cap for further exemptions?

**Hon. Sophia Aggelonitis:** Thank you for that question, Mr. Tabuns. I will refer it to my deputy for a more technical comment, but what I would like to say is that the one thing we saw with implementation of the whole tax package was a federal government that, with the provincial government, came to the table, left partisanship off the table and provided \$4.3 billion for Ontario's transitional benefits. I think it's a great example of what happens when governments work together. It just shows how this package really makes a lot of sense. Deputy?

**Mr. Steve Orsini:** The province of Ontario, as part of negotiating the comprehensive integrated tax collection agreement with the federal government, had built in the 5%. That's of the GST base. So the way the formula works, it's part of 5% of the GST base, which is where the federal government has to determine whether or not we fit within that envelope. That's one that the province and the federal government continue to have conversations about, how much is available or not.

In the Minister of Finance's 2010 budget, on page 157, we lay out the total amount of all the tax rebates: point-of-sale exemptions, the new housing rebate and also the public sector bodies rebate, so \$615 million for point-of-sale, \$1.1 billion for new housing and \$2.4 billion for public service bodies rebates, for a total of \$4.1 billion in rebates, credits or point-of-sale exemptions provided through the tax plan.

**Mr. Peter Tabuns:** So, is there room left under their 5% cap for further exemptions?

**Mr. Steve Orsini:** That's an area of the Ministry of Finance's responsibility in terms of discussions with the Department of Finance, but I need to underscore that it's tied to the federal base, not the provincial portion of the HST. It's one that the federal government and the province would have to come to agreement on, and something we're not in a position to provide at this point.

**Mr. Peter Tabuns:** Just out of curiosity, do you know what the number is, how many billions of dollars that 5% base works out to?

**Mr. Steve Orsini:** That would be an area for the Ministry of Finance in terms of determining that amount, but it's one that the federal government is part of the agreement. It's actually part of the federal base and it's one that the federal government would have to agree to before the province would be in a position to say that's the amount. So it's one that requires federal agreement.

**Mr. Peter Tabuns:** Okay. So what you're saying to me, and I'm repeating it so I understand clearly, is there is not an existing number out there. That number is determined by negotiations between the federal and provincial governments. In fact, there's a fair amount of fluidity. The federal and provincial governments could

define a very high exemption amount or a very tight exemption amount. Is that correct?

**Mr. Steve Orsini:** The way to describe it is, even when the province goes to the federal government for a point-of-sale exemption, it requires joint agreement as to the amount of the cost of that point-of-sale exemption. It requires federal agreement as to how much room, if there's any left, in terms of that point-of-sale exemption falling within—so it is a process where both levels of government would have to agree.

**Mr. Peter Tabuns:** So there isn't a fixed number at this point?

**Mr. Steve Orsini:** There's a formula that provides a framework at arriving at that agreement.

**Mr. Peter Tabuns:** Okay. On another matter, then, pension plans: Erin Weir spoke—Erin Weir is an economist for the United Steelworkers—about sales tax harmonization last December. He noted that Bill 218, or the HST, would affect pension and benefit plans in Ontario: "Most of the administrative, actuarial and other services used by pension plans are not currently subject to provincial sales tax. However, they are subject to the federal goods and services tax."

"Pension plans" operated "within a business receive input tax credits for the GST that they pay on those services. But multi-employer pension plans and benefit trusts separate from the specific business must pay the 5% GST. Bill 218 will increase that cost to 13%, which is ... a deduction from the pool of funds that are available to provide pension and other benefits to Ontario workers."

In implementing this bill, you are reducing the amount of money that will be available to people for their pensions. Do you have a plan to in some way compensate people for loss of pension income or in other ways to exempt these plans so that people can maximize the amount they'll have in their old age?

**Hon. Sophia Aggelonitis:** Thank you, Mr. Tabuns, for that question. Pensions is a very important issue for all of us.

**Mr. Peter Tabuns:** Absolutely.

**Hon. Sophia Aggelonitis:** I will, of course, ask my deputy to speak more in detail. But what I would like to put on the record is that financial services currently are GST-exempt to the investor and they continue to be exempt under HST. As far as pension plans go, we know that pension plans are eligible for the proposed 33% HST pension plan rebate on the amount of HST related to their pension plan costs. In the 2010 budget, proposed reforms for lock-in accounts to give seniors and other Ontarians more flexibility in accessing the funds in their accounts were done. But for more detail, I'll ask the deputy to continue.

**Mr. Steve Orsini:** Just to elaborate a bit further on the minister's point, prior to the HST there was a GST; HST follows the same rules that those services are tax-exempt. There's a federal 30% rebate on the cost that the pension plans incur on their HST that they pay on their services that the province will be paralleling and providing a 33% rebate for the provincial portion of the HST.

**Mr. Peter Tabuns:** So that in fact, pensioners will be made whole. There will be no reduction; there will be no diversion of their pension funds to the HST. Is that correct?

**Mr. Steve Orsini:** If you look at the total tax package, there is \$11.8 billion in personal tax relief that is flowing to individuals. As we talked about earlier, there are input tax credits whose benefits will flow through to the investors of companies, if there happen to be pension plans investing in companies.

One of the things that Jack Mintz found is that improved returns to individuals increase income to workers as a result of the tax plan, so overall there will be more jobs and greater incomes for Ontarians.

1620

**Mr. Peter Tabuns:** Going back, then: So pensioners will be made whole. The increase in charges to them because of the HST will be covered by the provincial government through other mechanisms so that in fact there won't be a reduction in the amount of money going into their pension plans. Is that correct?

**Mr. Steve Orsini:** Overall, it's providing a more robust economic outlook for savers. It's going to create more jobs that allow people to earn higher incomes. Overall, the tax package means that there are more jobs and economic growth.

How it affects individual circumstance is going to depend on the facts of the particular case.

**Mr. Peter Tabuns:** Mr. Orsini, I've just asked you whether or not people who are now paying a tax on their pensions that they didn't pay in the past are going to be made whole by the government. You didn't address that question. You talked about the impact of the HST on job creation. The only thing I can assume from your answer is that they will have less money to go into their pensions in future because they'll be paying HST that they didn't in the past. I don't need to pursue that any further. Your not stating that in fact my position was incorrect gives me great comfort—in fact, they're going to get dinged.

I have a question back for the minister. Minister, you said financial services were exempt from the HST?

**Hon. Sophia Aggelonitis:** I said that financial services, including the acquisition of mutual funds, are exempt from the GST.

**Mr. Peter Tabuns:** Okay. Then in the table "Modernizing Ontario's Tax System for Jobs and Growth," table 2, "Total Business Tax Relief by Sector" shows a \$900-million charge to the financial services sector, except for insurance. I'm afraid I don't have the larger book with me. It's page 15, "Modernizing Ontario's Tax System for Jobs and Growth." As I read it, that's the imposition of HST on financial services, except insurance, that didn't exist there in the past. Can you—

**Hon. Sophia Aggelonitis:** I would like to make sure that we get this right.

**Mr. Peter Tabuns:** Yes.

**Hon. Sophia Aggelonitis:** I'm going to ask the deputy to clarify that.

**Mr. Steve Orsini:** I'm holding up the tax plan for jobs and growth. This was released in the fall of last year. It does provide, by sector, the breakdown of the different elements of the tax plan. Under the HST, you can see there's—if it's a positive number, it means there are significant input tax credits.

For financial services, just like the GST base, they're tax-exempt, which means they don't charge the tax to consumers but they don't get input tax credits on the HST on the services they're purchasing.

As part of the government's tax plan, we're cutting corporate income taxes. The general rate is being reduced from 14% down to 10%. That has a significant benefit to financial services.

When you look at the elimination of the capital tax, which took effect in July of this year, again, that's another significant benefit to financial services.

Overall, and this comes back to the question you had earlier, there's a net benefit to financial services of \$155 million.

The issue is, there are a number of changing parts. Looking at one aspect doesn't tell the full story. What this does is provide a full picture of all the moving parts and what it means on the bottom line for each sector.

**Mr. Peter Tabuns:** It sounds like we're looking at the same table. It looks like a \$900-million charge in HST to the financial services sector. Is that what your table shows?

**Mr. Steve Orsini:** This represents the additional sales tax that banks, for example, are paying on their inputs—correct.

**Mr. Peter Tabuns:** Okay.

**The Chair (Mr. Garfield Dunlop):** About four minutes left, Mr. Tabuns.

**Mr. Peter Tabuns:** Four minutes. Okay. I'm just going to go back briefly, then, to the whole question of job creation from the HST. The, I guess we can say, 600,000 jobs, or 561,000 jobs—591,000 net new jobs, according to Mr. Mintz: Is that 591,000 person-years of employment or 59,000 jobs a year every year for 10 years?

**Hon. Sophia Aggelonitis:** That would be an estimate of almost 600,000 net new jobs being created over 10 years.

**Mr. Peter Tabuns:** There are a lot of different ways one can have fun with numbers, as I'm sure you're aware. Often, I've heard very large job creation numbers like that refer to person-years, so 591,000 people who get one year's worth of work. That could be 591,000 jobs, or you could talk about 60,000 long-term jobs. Is this 591,000 person-years of employment?

**Hon. Sophia Aggelonitis:** It's a full-time equivalent.

**Mr. Peter Tabuns:** Full-time permanent equivalent?

**Hon. Sophia Aggelonitis:** Equivalent.

**Mr. Peter Tabuns:** Okay. That's quite an extraordinary thing to claim, given that we've lost hundreds of thousands of jobs in Ontario in the last few years. Why do you accept that Mr. Mintz's analysis is correct? Some-



times in business, if something's too good to be true, it's not true.

**Hon. Sophia Aggelonitis:** Thank you, Mr. Tabuns. I stand behind Jack Mintz's report because it's based on evidence and research. We are fully committed to proceeding with our tax reform package because I do believe it will produce an estimate of almost 600,000 new jobs, almost \$47 billion in new capital and an increase of up to 8.8% in personal incomes. But even more so, as the Minister of Revenue, I am accountable. That's why I have to rely on the best evidence available. I believe that Mr. Mintz's report, as well as the reports that we have seen from other experts, are the best evidence.

**The Chair (Mr. Garfield Dunlop):** You've just got one minute here to finish.

**Mr. Peter Tabuns:** No, I'll pass on the minute.

**The Chair (Mr. Garfield Dunlop):** Okay. You've completed here?

**Mr. Peter Tabuns:** Yes.

**The Chair (Mr. Garfield Dunlop):** Thank you, Minister. Now to the government members for 20 minutes. Mr. Delaney.

**Mr. Bob Delaney:** Thank you very much, Chair. I thought the member for Toronto—Danforth was actually on a bit of a roll, so Minister, I'm going to pick up roughly where he left off and I'm going to talk a little bit about some of the impacts of the government's comprehensive series of budget changes, especially on seniors. In my preamble to the question I'll probably talk a little bit about the underground economy, and I'd like to conclude by asking you about the Economic Club of Canada's conclusions.

Like all members on all sides, our phones rang during the summer, and there were people who we knew and people we had never spoken with. I'm sure my experiences are probably fairly typical. People would call, and I called every one of them back—every single one of them. In many cases, they either said, "Look, I voted for you," or "I didn't vote for you," and I thought to myself, "That's interesting, but I represent you whether you did or didn't vote for me. How can I help you?" They said, "Well, I like the things that you say in your newsletters and I've heard you speak and whatnot, and you seem like a very intelligent person, so I want to"—I thank all of those people for their generosity. They said, "I've heard a lot about these proposals, and I'd just like to ask you some questions." I said, "Well, there are a lot of people who realize that the province has made some fundamental changes here. Ask away."

So they would ask about the impact to them, and I'm going to use seniors in this particular case; the member for Toronto—Danforth touched upon seniors. People said, "Well, the first thing I want to know is, I'm retired, I'm fairly comfortably off, but I'm on a fixed income. Is this going to cost me more money?" How do I, as their MPP, explain to them that some things have gone down and some things have gone up and what, when everything is done, will be the net result?

I said to them at the time, "Well, remember that there are no big winners and there are no big losers," and to

this extent I quoted the Canadian Centre for Policy Alternatives study. I said, "No one will be better or worse off, regardless of which side of that you're on, by more than a couple of hundred bucks, and the odds that you're going to be better off are about 93%." If you're not, then you probably have an income in excess of about—and the best estimate is about \$160,000. That excludes me, and I don't know about you. In 100% of the cases they said, "Well, that leaves us out, too," and I said "Okay, fine."

1630

So they would say, "Some things that we had not paid a PST on will be subject to the harmonized sales tax. Explain." I said, "That's very true. Some things that were not taxed prior to June 30 will now be subject to the harmonized sales tax, so what is that going to mean to you?" And I would walk them through some of the things we talked about earlier, in which we would illustrate how business costs come down and how market forces in every case have transferred the benefits to the purchaser.

They said, "In the short term, explain the transition credits." I said, "The transition credits"—and let's assume that in this case I'm talking about a senior couple—"that's \$1,000, and that's going to last one year, while about 80% of the benefits flow through to you in that one year." So what is the \$1,000? The \$1,000 is all of the additional HST on \$12,500 worth of purchases. I would ask them, "When you add up your electricity bill and the amount that you spend on your hairdresser and your gas bill and the HST on your accounting fees and all that, do you think you're paying, in total, \$12,500 for these things?" Virtually everybody said, "No, no; it's not close to that." I said, "Okay. That lasts one year. But let's see what continues on an ongoing basis."

To continue with the anecdote here where I would be talking to a husband or a wife or often the two of them together, I'd say, "As seniors, your senior homeowner's property tax credit has doubled permanently. So what does that doubling represent? That represents to you all of the additional tax on \$3,125 of things that were not before taxed, and not just this year but every year." Most people said, "Oh, I didn't know that," and I said, "Yes." So in addition to the \$12,500, now you've got the first \$15,625 worth of things that you buy that were not previously subject to tax, to have all of the tax paid.

But, as they often say on television, we're not through yet. Each person each year is eligible to claim a sales tax credit, a permanent sales tax credit, and that's \$260 per year. So that represents, for, again, this senior couple, \$3,250 per person, or \$6,500 for the two of them.

Let's add it all together. You're going to get, in tax credits back in your hands at tax time, the tax equivalent to everything on \$22,125 of purchases that were not previously subject to tax, and that represents only the one sixth of things that would have changed and gone up after the implementation of the HST. Most people said, "I don't spend anything close to that. Do I still get the money?" I said, "Yes. You're better off, and that doesn't take into account the fact that your taxes have now gone

down permanently—and not as of July 1; as of January 1. So not only are you taxed at a lower rate, but your tax credits have gone up.”

People started to say, “How can you encapsulate all of this together?” What I landed on is, I said, “Look at it this way: By the time you’ve bought all of the things that you normally buy and by the time that you have paid all of the bills that you normally pay and you’ve filed your taxes”—and this is an important part; file your taxes—“and claimed your refunds and claimed your tax credits, by that time, for 93% of Ontarians there’s going to be more money in your pocket.” So when you walk them through and you explain to people, “This is the whole story. Yes, some things have gone up, and we will not deny that. And energy costs have gone up”—energy costs are going up everywhere in the world and we’re not an exception to it, but we’ve made sure that, to use the expression that the member for Toronto–Danforth used, as a senior, you are not only left whole; you’re left a little bit ahead. So when all is said and done, you’ve made this transition and you’ve come out a little bit ahead.

As I often said to people, “You’ve started by saying that you respected me as your MPP. Why would I, as your MPP, stand up and vote”—and let’s make no mistake: I stood up and I voted for this, and I voted for it proudly—“for something that harms our community?” I just wouldn’t do it, and I didn’t do it. I stood up and voted on a package of tax reforms that picked us up out of the 20th century and dropped us into the 21st century and left us better off.

We would talk about this with seniors. Sometimes, when I would be at a public function, people who had heard of the study that we just referenced by Jack Mintz—to put it into its perspective, it comes from the University of Calgary School of Public Policy, and he’s the dean of that school. To explain Jack Mintz, Jack Mintz is not normally one who is friendly to left-leaning or centrist governments. Jack Mintz did a report that was fact-based, it was dispassionate, and while I’ve heard people criticize the report or ask how it will be implemented, I have never heard anyone question in any way the methodology of the survey. Everyone has accepted that the methodology of the survey is rock-solid. Everyone agrees that the survey has integrity.

In fact, as a member of our government, we have confidence in our entrepreneurs—in our small businesses, in our sector leaders, firms such as RIM, firms such as our pharmaceuticals sector—to create these jobs and to hire Ontarians. I know from my summer of going back and forth to our businesses, which, like most members, I have an opportunity to do in the summer and in the month of January, to say hello to some of our businesses—I’ll say, “How are you doing?”, and people had a challenging year last year. Some people said, “We had to do some layoffs.” Others said, “We managed without layoffs.” But the overwhelming majority were not only optimistic in this year, but planning to hire.

Reasonable people accept that when we’ve made the projection for the growth of the economy—people under-

stand that the government, the bureaucracy, isn’t doing the hiring; what we’re creating is the climate whereby the men and women, the companies, the entrepreneurs and the risk-takers who actually create the jobs can do the hiring. They have, in every case, stepped up to the plate and said, “We intend to do our part.”

I called on one company. They created 12 jobs. It’s located right near the Streetsville GO station. They make a brilliant product that takes movies, electronic files—which today represent the cutting edge in films—and their challenge is to produce a product that transmits as seamlessly on a micro device, a hand-held device, as it does on a big-screen TV. They got a grant from the province. They leveraged it with venture capital money. They put in a lot of their own money. They created those jobs. As I said to them, “In a good sense, I expect that a few years from now, someone will have picked up your technology, and it will either be the de facto standard or someone will have made you a very nice offer and made you independently wealthy. You may be working for someone else.”

The other sector that I spent a lot of time visiting was the building trades, which is probably the single biggest beneficiary of the breathtaking cuts to taxes and to business expenses. As I went back and forth, I was just doing my mental list of, “On what things that you use in the building trades, in construction, in home renovation, in things like that, do your costs fall?” For example, you can now deduct all of the tax—and that’s significant, because that’s 13% of everything that you’re spending—on vehicles and on the fuel that you put in them, on the tools that you use, on the power that you consume while you use your tools, on the tires that you wear out as you drive the vehicle, on the repairs, on the routine maintenance as you use your tools and your vehicles, and on the training courses that you take. You can deduct all of your GST and HST on the consumables. Of course, you have your WSIB eligibility as well. You can also deduct all of the tax that you pay on business equipment, on office rent, software, fixtures, marketing expenses, shipping.

1640

As I spoke to people, I was speaking to a number of them who said—I actually asked my accountant—the conclusion that a lot of them were coming to is that, basically, no reputable business, no reputable contractor who asks an independent accountant to just do a projection and look at their business, can conclude that it’s more profitable to break the law, to go underground, to endanger your workers and to expose them to the liability of not being able to claim WSIB and of a status that’s completely undefined vis-à-vis their benefits and their pensions. From the vantage point of the workers, they said, “Who would ever want to work for a contractor like that? I mean, I can go and work for a reputable guy who can earn more money by staying above board and complying with the law and being more profitable.” As one guy said, “I also get to sleep better at night.”

How am I doing, Chair? What have I got left here?

**The Chair (Mr. Garfield Dunlop):** You’re down to about five minutes, six minutes left.



*Interjections.*

**The Chair (Mr. Garfield Dunlop):** Six minutes.

**Mr. Bob Delaney:** Six minutes? All right, Thanks, Chair.

We've talked about the Mintz study, but there are many others as well. My own Mississauga Board of Trade has come out and said, "Look, we're not normally a fan, Mr. Delaney, of your party, but on this one, you hit the right chord. This is the right thing to do"—also the Ontario Chamber of Commerce and, of course, the Economic Club of Canada, which I'm going to ask you about in a moment. We've discussed the University of Calgary school of public policy.

Another one that's a really interesting read—and this is one that you've got to devote a little bit of time for because this is a hefty download—the Rotman School of Management did a terrific comprehensive report on this, placed it in a global context and came out with the conclusion that Ontario is absolutely, positively, without any doubt on the right track. Of course we've also talked about the Canadian Centre for Policy Alternatives.

As I've often asked people who have called me, I've said, "When people have made comments criticizing the government's comprehensive set of tax measures, what factual evidence do they draw upon?" Other than talk radio and some of the usual cant of sources, there is none.

Minister, here's what I would like to ask you to do in the time remaining. You've referred a few times to the Economic Club of Canada letter. Could you tell me some of the significance of this particular group of individuals writing what they did at the time that they did this summer?

**Hon. Sophia Aggelonitis:** Well, thank you, Mr. Delaney, for your question.

**The Chair (Mr. Garfield Dunlop):** You have four minutes, Minister.

**Hon. Sophia Aggelonitis:** Thank you for giving me the opportunity to read into the record the open letter that was sent to Ontarians and British Columbians. It was from the Economic Club of Canada. It's dated June 15, 2010, and I just want to note that the Economic Club of Canada is a non-partisan organization, and the views expressed in this letter are of the signatories.

What they write is: "Effective July 1, 2010, in Ontario and British Columbia retail sales tax (RST) will be replaced with a value-added tax (VAT) and combined with the federal goods and services tax"—

**The Chair (Mr. Garfield Dunlop):** Minister, could you sit back a little bit from the microphone, if that's okay? There's just a bit of a problem with the sound system here. Thank you. That's fine.

**Hon. Sophia Aggelonitis:** "We strongly support the implementation of the HST as we believe it will promote investment, jobs, and higher wages. With more than 140 countries and four other provinces having adopted a VAT, the HST will elevate provincial competitiveness. Currently, the RST is charged on a broad range of inputs purchased by businesses to manufacture products and provide services. This tax becomes embedded in the cost

of goods at each stage of the production, distribution and retail processes. The result is a compounding of the tax that is ultimately paid by consumers through higher prices.

"The RST places British Columbia and Ontario at a competitive disadvantage compared to many jurisdictions when it comes to attracting investment and creating jobs.

"The HST, by contrast, will remove this cascading tax by refunding the sales tax paid on most businesses inputs, including materials, supplies and equipment. Without this compounding tax, Canadian goods and services will be more competitive in domestic and export markets. As was the case with the GST and in the provinces shifting to a value-added sales tax, businesses will pass these savings on to consumers.

"Businesses, large and small, will face lower administrative costs from complying with one sales tax system instead of two. Lower business costs, especially on capital equipment, will encourage investment and economic activity. Lower business costs will ultimately allow price reductions on many consumer purchases, including big ticket items, such as automobiles and computers."

They conclude by saying, "The HST will enhance competitiveness, encourage new investment, and create jobs. It represents sound public policy."

This open letter to Ontarians and British Columbians was signed by 33 experts. Some of those experts include the chancellor at McMaster University, Mr. Lynton (Red) Wilson. It also includes people like Len Crispino, president and chief executive officer of the Ontario Chamber of Commerce; David Dodge, the former governor of the Bank of Canada; Don Drummond, economics adviser, TD Bank Financial Group; Dr. Anne Golden, president and CEO of the Conference Board of Canada; Dr. Warren Jestin, senior vice-president and chief economist of Scotiabank; Mr. William Robson, president and chief executive officer of the C. D. Howe Institute; Craig Alexander, senior vice-president and chief economist of TD Bank Financial Group; Professor Werner Antweiler, Ph.D., Sauder School of Business, University of British Columbia; and Victoria Barham from the University of Ottawa.

We also heard from Derek Burleton from the TD Bank Financial Group; Mel Cappe, president, Institute for Research on Public Policy; John Chant, a professor in the department of economics, Simon Fraser University; Dr. Sherry Cooper, executive vice-president and global economic strategist with BMO Financial Group and chief economist of BMO Capital Markets; Dr. Brian Lee Crowley, managing director of Macdonald-Laurier Institute; Glen Hodgson, senior vice-president and chief economist of the Conference Board of Canada; the Honorable John Manley, president and chief executive officer of the Canadian Council of Chief Executives; Roger Martin, dean, Rotman School of Management, University of Toronto; James Milway from the University of Toronto; Steeve Mongrain, associate professor from the department of economics at Simon Fraser

University; Al O'Brien from the University of Alberta; Dale Orr, president of Economic Insight; Dr. Nicolas Schmitt, chair, department of economics, Simon Fraser University; and Earl Sweet, managing director and senior economist, BMO Capital Markets.

Mr. Delaney, I appreciate you giving me the opportunity to read out this very important document.

We have many examples. In fact, the one example I hope to share with the group today is about a business in the opposition leader's riding. Mr. John Voortman, the owner of—

**The Chair (Mr. Garfield Dunlop):** Minister, I let you go over a little bit with the names, so you could sum up in those last 10 minutes, if you will.

**Hon. Sophia Aggelonitis:** Thank you.

**The Chair (Mr. Garfield Dunlop):** We'll come back now—there are 30 minutes left, and this is the last rotation of 10 minutes.

Ms. MacLeod.

**Ms. Lisa MacLeod:** Thanks very much, Chair. I'll be very quick. I've got two colleagues here who'd like to get a word in edgewise.

1650

It was great of you to read all those names into the record, Minister.

Just quickly, if you wouldn't mind telling me: Do you know the terms of the memorandum of understanding and agreement between the federal government and the provincial government, the CITCA agreement?

**Hon. Sophia Aggelonitis:** I'm sorry, excuse me?

**Ms. Lisa MacLeod:** The CITCA agreement. Do you know anything about the CITCA agreement?

**Hon. Sophia Aggelonitis:** I am aware of the agreement. If you'd like to speak to the deputy about that agreement—

**Ms. Lisa MacLeod:** Oh, no. I have some questions for you. Are you aware of the agreement and the terms of it?

**Hon. Sophia Aggelonitis:** I appreciate the question from the honourable member. What I want to make sure is that all the technical and any questions specifically—

**Ms. Lisa MacLeod:** Well, it's just a four-page agreement.

**Hon. Sophia Aggelonitis:** I would really—

**Ms. Lisa MacLeod:** For example, I read it. It was four pages. I'm just wondering if you have any of the highlights that you're prepared to share with us.

**Hon. Sophia Aggelonitis:** I would really like to ask the deputy minister.

**Ms. Lisa MacLeod:** Are you aware that you cannot opt out of the HST without a penalty, for five years?

**Hon. Sophia Aggelonitis:** We have a full, comprehensive tax package for jobs in Ontario.

**Ms. Lisa MacLeod:** Are you aware that you're not able to reduce the rate in the first two years of the agreement with the federal government and the provincial government without penalty?

**Hon. Sophia Aggelonitis:** Are you interested in the two-tax system? Is that what you're trying to tell me?

**Ms. Lisa MacLeod:** No, I'm just trying to tell you that there's an agreement that your government signed with another government, and I'm asking you the details, as the minister, if you know what that agreement is and what the terms of the agreement are. It's a four-page agreement. It was posted on your website.

I guess what I'm getting at is, there are terms to the agreement between the two governments. I've read it several times. Perhaps today, when you leave here, they'll provide you with a copy of it.

What I'm getting at is, in the first five years of the agreement, there's a \$4.3-billion penalty that any future government ought to pay to get out of the existing agreement. It's quite serious and it's really going to shape the future governments of this province, whether or not they're going to be able to afford something like that. That's why I brought that up.

In terms of further exemptions and further rate reductions, there are stipulations in place there. It's unfortunate we couldn't have that discussion together.

What I'll do now is I'm going to pass the microphone over to my colleague, who has some specific questions he'd like to ask you on the HST.

**The Chair (Mr. Garfield Dunlop):** Mr. O'Toole?

**Mr. John O'Toole:** Minister, it's a pleasure. Respectfully, the list of names you read out—yes, I've read many of their comments. I suspect that, in a general sense, the recognition that Ontario was not tax-competitive because of your last seven years of office, of red tape and regulations—they're looking for any relief they can get. I believe Roger Martin was probably right. He's head of the competitiveness task force group. David Dodge has said things as contradictory—as you might imagine—as saying that Ontario actually has a structural deficit. I'm quoting from a report—the former governor of the Bank of Canada. It says that Ontario's spending increases don't match the revenue stream and the predictable revenue stream.

I think that's unfortunately part of moving into collecting as much tax, as much revenue, as you could, to increase spending by about 72%. It's an indication that business wasn't friendly to Ontario, and there may be some light in this for the business side.

What I'm very concerned about, and what we're all hearing—you are as well, Minister, I'm sure; you're just not listening—is the seniors. Those persons on fixed income are euchred. They are against the wall. They turn that thermostat up and—they're home all day. They can't tune in to this time-of-use pricing. They're home all the time. Part of your strategy is aging at home. We actually call it "aging alone" because there's no place for them to go.

It is a failed policy with respect to that segment of the consuming economy: seniors. They have very little discretionary income. The member on the other side there, Mr. Delaney, suggested that it's implying that the seniors are in their homes. They get the property tax credit thing. All of this stuff is income-tested. If anybody has saved



and RRSP'd, there are clawback provisions in this bill on income, in this particular change.

I also recognize—here's the really important thing. Other provinces weren't so aggressive as to grab every nickel they could on the implementation of this. This is a more philosophical change in revenue, and I think we should be aware. The government realizes that they're losing jobs. You're down 300,000 or 400,000 jobs, regardless of the green energy. All these bills—all I hear in my riding is, "jobs and the economy." That's what I hear. I know the member from Northumberland hears the same thing, and the member from Peterborough, the same thing: jobs.

But here's what happens: When you don't have revenue from the payroll taxes, those people, even if they're on welfare or programs of assistance or extended EI benefits, whatever, they spend all their income. Here's the important shift in policy: Every service they acquire, whether it's going to a physiotherapist or going to a seniors' recreation facility, is taxed. Every single move, whether it's transit, gas, heating or a ventilator in their home, is taxed. So now you've switched from payroll revenue to consumption revenue, and that's a phenomenal change. It's a profound shift in taxing every single consumption.

The people who are least affected are the higher-income people, as Mr. Delaney and the Liberal friends he has mentioned—they have incomes where they have discretionary choices to make.

**The Chair (Mr. Garfield Dunlop):** There are four minutes left.

**Mr. John O'Toole:** They can defer expenditures, whereas the persons whom I'm addressing, my constituents, people of modest means, people on fixed income, the hard-working families who are surviving that we're hearing about, who are having to raise money in the schools, about \$500—and the admission by the Premier. The admission that they're going to give them, when you register the kids for hockey—in fact, I like his little mea culpa.

You have to spend \$500. So let's do the math: \$500 before you qualify to get \$50. The \$500—you have to spend \$500 or more—will have tax on it, so it will actually be \$500 times the 13%. Here's the deal: You're actually going to issue a cheque and have some bureaucrat or some system look at it. It'll probably cost you about \$13 to issue the cheque, and they'll probably get back, after the total—having to spend \$500 and pay the tax on it—they'd be lucky to get back \$10. And this through the income tax system, because that would be recorded as income, of course. This is another hand in the other pocket of all the consumers in Ontario. You've not only nailed them on the health tax; now you've got them on this tax.

To make the full circle here complete, as David Dodge said, you have a structural deficit, so you're changing the fundamental policy on revenue to taxing everything that moves so that you can increase revenue; so you can

continue the spending spree, that absolute reckless spending on consultants and the eHealth system.

Look, it's time the people of Ontario should wake up. Is that camera on? Because I want to make sure. The people of Ontario should wake up, because I'll tell you, this is an indication that your government has run out of ideas and they need more of our money, the people of Ontario's money, to provide less service. They're doing it on electricity, they're doing it today in the debate on water, on Bill 72. They're going to start taxing your water. That's—

**Mr. Robert Bailey:** No.

**Mr. John O'Toole:** No, that's the way it works.

Anyway, I've got to reserve a bit of time for the member from Sarnia, because he has a few seconds—

**The Chair (Mr. Garfield Dunlop):** You've only got a minute to do this, by the way.

**Mr. Robert Bailey:** Thank you, Minister, for being here today. I've enjoyed it very much, all the give and take from all the different members. More giving than taking, but anyway.

**Ms. Lisa MacLeod:** More taking than giving.

**Mr. Robert Bailey:** Yes, well, that's from the member—from Mr. Delaney.

I've got hundreds of emails here that were sent to my office, so I just wanted to read one, and this was actually copied to me. It went to the member for Lambton-Kent-Middlesex, one of your colleagues on the government side. Anyway, I won't read it all, but they were complaining, obviously, about the HST. That's what all my emails were. Near the end, I just thought this was kind of interesting, where this lady was talking about her difficulty living with the tax. She says—and this was addressed to myself and Mrs. Van Bommel.

She said, "Please do send me the make and model of calculator the Minister" of Revenue and Finance use, "because I want to be able to balance my books the way the government does so I can realize all this 'savings' that the HST is going to create.

"If I sound frustrated, you can rest assured that I am. I am tired of this government's blatant disregard for the average citizen, and the report of the tax collectors receiving a 'bonus' for moving from one level of government to another is just the frosting on the cake, so to speak.

"The Liberals might want to dust off their resumés because, come election time, I think you all may be looking for employment.

"A frustrated taxpayer,

"Sonia MacDonald,

"R.R. #6, Alvinston, Ontario."

Thank you, Mr. Chair.

1700

**The Chair (Mr. Garfield Dunlop):** Thank you, Mr. Bailey. That concludes the official opposition's time. We'll now go to the third party's time. You have 10 minutes, Mr. Tabuns.

**Mr. Peter Tabuns:** Thank you, Chair.

Minister, in the results-based plan briefing book for 2010-11, pages 58 and 59 look at the costs of compliance. I note that the cost of compliance—you're projecting actuals—for 2008-09 is \$33 million in services to deal with compliance. That doubles in the interim actuals to 2009-10 and takes another big leap forward in the estimates of 2010-11. Why is it going to be costing you so much more to do compliance?

**Hon. Sophia Aggelonitis:** There is going to be a period where we're going to have to—

**Mr. Peter Tabuns:** I'm sorry, Minister, I—

**Hon. Sophia Aggelonitis:** Thank you, Mr. Tabuns. There will be a wind-down period, but to be completely exact, I want my deputy to comment on that.

**Mr. Peter Tabuns:** A wind-down period? It looks like it's winding up.

**Hon. Sophia Aggelonitis:** No, it's a wind-down.

**Mr. Steve Orsini:** What I'm going to suggest is that we can respond back to you in writing explaining the changes there, if you are comfortable with that approach.

**Mr. Peter Tabuns:** Then you'll explain to me why the actuals on salaries and wages are rising substantially and services are rising substantially? That's correct? Page 59 of 71—why the increase in salaries and wages and service costs for compliance?

**Mr. Steve Orsini:** Part of that is dealing with—over the last seven years, five budget bills had measures on contraband tobacco. We'll come back to you, if you're comfortable with that.

**Mr. Peter Tabuns:** Okay.

**Mr. Steve Orsini:** I think this is building up the supports for the measures that have been introduced in various budget bills to strengthen enforcement and compliance around contraband tobacco. I just wanted to come back with a more detailed response related to that.

**Mr. Peter Tabuns:** If you can give me a written response, I would be appreciative, and I can accept that.

If you'll give me a moment—page 49 of 71: Bad Debt Expense. You show actuals of \$104 million in 2008-09 for bad debt, and then the interim actuals, 2009-10, went up to almost half a billion dollars. What happened there?

**Hon. Sophia Aggelonitis:** Mr. Tabuns, that is the wind-down that I was talking about, the wind-down of the RST program resulting in an accounting requirement to incur a certain amount of expenses over two years.

What we know is that we will need to make sure that—there is still a lot of RST compliance that we have to make sure we go back to, and that's why that number is—but to have a much more thorough understanding, I'll give it over to my deputy.

**Mr. Steve Orsini:** The minister is absolutely correct. This is an accounting provision that crystallizes what the annual bad debt of RST would have been in the next four years. If you remember, for the RST there's a four-year time frame to reassess; there's a four-year time frame to give rebates back to people who have submitted a claim, and this, for accounting purposes, crystallizes what they would have been, and they're brought forward because of the decision to wind down the RST. Because of the

decisions made for accounting purposes, you can't crystallize those bad debts all in those years.

**Mr. Peter Tabuns:** Why is there still a number, then, for 2010-11, of \$136 million?

**Mr. Steve Orsini:** The decision to wind down the RST crystallized that. There's also the annual flow that would have occurred in 2010-11, in any event. So remember, this is looking at the full array over the four years. We really, essentially for accounting purposes, have brought those bad debts forward to record them now.

**Mr. Peter Tabuns:** Okay. So it isn't as though there was a sudden change in the performance of the economy. You're simply recognizing a debt—sorry, a loss—that you expect in the next four years. Am I understanding that correctly?

**Mr. Steve Orsini:** That's right. If you looked at every year, it would have been over \$100 million. It has kind of flatlined. This is bringing those forward.

**Mr. Peter Tabuns:** Okay. Mr. Chair, I don't have any further questions.

**The Chair (Mr. Garfield Dunlop):** You're finished?

**Mr. Peter Tabuns:** I'm finished, yes.

**The Chair (Mr. Garfield Dunlop):** Okay, that's fine. Thank you very much, Mr. Tabuns. That concludes the time for the third party.

We'll now go to the government members for the final 10 minutes.

**Mr. Kim Craiton:** I only need two minutes.

Minister, I just have one short question which is important to me. The other part of your portfolio, which is one that I have real—as I said, it's special to me, and that's the seniors part of your portfolio. I know I mentioned it to you today, and we talked for a few minutes. I've always felt—and I'm speaking for myself—that governments should have had a ministry set up strictly for seniors. I've always felt that and I've always said that. I've said that for years—all governments. I thought that should have its own ministry, that seniors deserve to have a ministry dedicated strictly to them. We've had a discussion as to why I feel that passionate. Certainly in my area I'm pretty blessed with some great seniors' centres, whether it's the Coronation centre in Niagara Falls, the Douglas Heights centre in Fort Erie, or two great centres in Ridgeway and in Niagara-on-the-Lake.

I just wanted you to maybe share some of the things that you've been doing, and if there are some things—I don't know if there are—on the horizon that we can do to help our seniors, particularly the ones that we all hear—not just me; I'm sure we all hear about the ones who come in that are on these fixed incomes. Things go up and they find themselves in pretty difficult situations. If you could touch on that, I think they would be interested. I would be interested as well. And if you can convince the Premier to set up another ministry just for seniors, you'll have my support.

**Hon. Sophia Aggelonitis:** Thank you very much, Mr. Craiton. We have had numerous conversations about the seniors portfolio, and I appreciate you bringing it up. I



think there's a lot of merit in your comments, and I look forward to your support moving forward.

But in my role here today as the Minister of Revenue, what I would like to share are some comments in regard to how the HST and the overall tax package will affect our seniors. One interesting fact that I've read is that the number of seniors that are aged 65 and over in Ontario is projected to more than double over the next 25 years. We're going from less than two million, or about 15% of Ontario's population, to more than four million, or almost 25%, by 2036.

Much closer than that, though, is in seven years from now, in 2017, seniors will account for a larger share of the population than children aged zero to 14. That's going to be the first time in our history. We're seeing dramatic demographic changes, and it's very important that we not only put the resources into our seniors but also help them with our full tax reform package.

Some of the ways that seniors will benefit from the tax reform package: We know that seniors are among the 93% of Ontario taxpayers who received a permanent income tax cut as of January 1 of this year. We also know that seniors are eligible to benefit from the transition payments that our government has put in place to assist families during the transition to the HST. We also know that the Ontario senior homeowners' property tax credit, which is another annual benefit to our seniors, will help offset property tax for seniors with low and moderate incomes who own their own home.

We do want seniors to be able to live in their own home for as long as they feel possible. I know that my parents are looking at staying in their home for as long as possible. Also, the property tax credit is separate from and additional to the Ontario property tax credit. Senior homeowners may be eligible for both, in fact. This year and the following years, we are doubling the maximum grant. If you put it into context, over the next five years the Ontario senior homeowners' property tax grant will provide a billion dollars in property tax relief to more than 600,000 seniors in the province of Ontario.

1710

We know that seniors remain active and want to stay in their homes, and we want to make sure that we offer the resources they need to live very healthy lives.

Thank you for that question.

**The Chair (Mr. Garfield Dunlop):** Is there another question, Mr. Delaney?

**Mr. Bob Delaney:** Chair, how are we on time here?

**The Chair (Mr. Garfield Dunlop):** You've got about five minutes left.

**Mr. Bob Delaney:** Five minutes? Okay, thank you.

**Hon. Sophia Aggelonitis:** I'd like to wrap up, if I can—

**The Chair (Mr. Garfield Dunlop):** Would you like to wrap up? Okay.

**Hon. Sophia Aggelonitis:** I have a—

**The Chair (Mr. Garfield Dunlop):** Yes. I was going to ask you—

**Mr. Bob Delaney:** My question is, Minister, would you like to wrap up?

*Laughter.*

**The Chair (Mr. Garfield Dunlop):** Boy, talk about jockeying, eh? Go ahead, Minister.

**Interjection:** Cut to the heart of it.

**Hon. Sophia Aggelonitis:** Thank you very much, Mr. Delaney.

**Interjection:** A tough question.

**Hon. Sophia Aggelonitis:** I'd like to thank all of you very much for your time and for the thorough look you've taken at the Ministry of Revenue this year.

I am a firm believer in the value of this process, and I am pleased to continue the conversation that was started by my predecessor, John Wilkinson. I know he mentioned in his opening remarks in May that staff at the Ministry of Revenue have been working very hard over the last few years to successfully deliver on all our commitments.

I feel strongly that the ministry is providing fair and efficient administration of Ontario's tax and benefits programs. The money we collect provides the fiscal foundation upon which many of the government's programs rely, and we recognize the gravity of that responsibility.

I am proud of the contribution we make to Open Ontario, our government's five-year plan to create jobs and growth. I am equally proud to be working on implementation of the harmonized sales tax. It is a vital part of our tax reform package, because it makes our economy more competitive and will help create hundreds of thousands of new jobs in the years ahead.

There has been a great deal of misinformation about our tax reform package, and I am glad to have had the opportunity to set the record straight. For example, Ontarians with lower incomes are seeing significant benefits from our reforms. Ontario now has the lowest income tax rate on income up to \$37,000 of any province. Our sales tax credits, our transition payments, our child activity credit and other benefits work to ensure that lower-income Ontarians are treated fairly in the province of Ontario.

Most Ontarians, including middle-income earners, will see little overall change in their spending power. The fact is, our plan is about helping families.

Businesses will also benefit from a much more efficient tax system. In fact, I advocated for a harmonized sales tax long before I entered government, because as a former small business owner myself, I understood from personal experience what a significant benefit it would be. I am very pleased that our government has understood this and acted in the best interests of the province, and I am delighted to have the opportunity and the responsibility to implement that change.

I have to say that I am a little puzzled at people who argue against this tax reform, especially when they claim to be speaking for lower-income families or for businesses, two of the groups that benefit most because of

these reforms. Fortunately, though, most people have come to understand that these critics are misinformed.

Organizations completely independent of government are telling us to hold the line on this course because it is good for all Ontarians. When the Ontario Chamber of Commerce lines up with the Canadian Centre for Policy Alternatives, you know you must be doing something right. When the TD Bank and the Daily Bread Food Bank agree, it's solid evidence that it's good policy.

In summary, the work of the Ministry of Revenue is important to Ontario's future success. Our work directly supports overall government priorities, including strengthening the economy and Open for Business.

Our plan is to continue that work, to always strive for improvement and to ensure that we are working in an open and cost-effective way for the benefit of the people of this province.

I would like to thank very much the members of the Standing Committee on Estimates for this opportunity to appear before you this year. I would also like to thank all the staff who are here and who have worked very, very hard, for all the hard work they're committed to for the people of Ontario.

**The Chair (Mr. Garfield Dunlop):** You have about 30 seconds left. Is that it, Minister?

**Hon. Sophia Aggelonitis:** Thank you.

**The Chair (Mr. Garfield Dunlop):** Thank you very much to all the members of the committee.

Ladies and gentlemen, that concludes the standing committee's review of the estimates. We will now deal with the vote.

Shall vote 3201 carry? Carried.

**Ms. Lisa MacLeod:** Chair, am I allowed to vote as a subbed-in member?

**The Chair (Mr. Garfield Dunlop):** Yes, you can.

Shall the 2010-11 estimates of the Ministry of Revenue carry? Carried.

Shall I report the 2010-11 estimates of the Ministry of Revenue to the House?

**Ms. Lisa MacLeod:** Recorded vote.

### Ayes

Craitor, Delaney, Levac, Mangat, Rinaldi.

### Nays

Bailey, MacLeod, Tabuns.

**The Chair (Mr. Garfield Dunlop):** It carries.

I'd like to thank the minister for being here this day. I'd like to thank all the staff of the Ministry of Revenue for being here today as well. That concludes the Ministry of Revenue's portion of estimates. We will adjourn now and report back after routine proceedings tomorrow afternoon for the Ministry of Finance.

*The committee adjourned at 1717.*





## CONTENTS

Tuesday 14 September 2010

|                          |       |
|--------------------------|-------|
| Ministry of Revenue..... | E-127 |
| Hon. Sophia Aggelonitis  |       |
| Mr. Steve Orsini         |       |

### STANDING COMMITTEE ON ESTIMATES

#### **Chair / Président**

Mr. Garfield Dunlop (Simcoe North / Simcoe-Nord PC)

#### **Vice-Chair / Vice-Président**

Mr. Robert Bailey (Sarnia–Lambton PC)

Mr. Robert Bailey (Sarnia–Lambton PC)

Mr. Gilles Bisson (Timmins–James Bay / Timmins–Baie James ND)

Mr. Jim Brownell (Stormont–Dundas–South Glengarry L)

Mr. Kim Craiton (Niagara Falls L)

Mr. Bob Delaney (Mississauga–Streetsville L)

Mr. Garfield Dunlop (Simcoe North / Simcoe-Nord PC)

Mrs. Amrit Mangat (Mississauga–Brampton South / Mississauga–Brampton-Sud L)

Mr. Phil McNeely (Ottawa–Orléans L)

Mr. John O'Toole (Durham PC)

#### **Substitutions / Membres remplaçants**

Mr. Jean-Marc Lalonde (Glengarry–Prescott–Russell L)

Mr. Dave Levac (Brant L)

Ms. Lisa MacLeod (Nepean–Carleton PC)

Mr. Lou Rinaldi (Northumberland–Quinte West L)

Mr. Peter Tabuns (Toronto–Danforth ND)

#### **Also taking part / Autres participants et participantes**

Mr. John O'Toole (Durham PC)

#### **Clerk / Greffier**

Mr. Douglas Arnott

#### **Staff / Personnel**

Mr. Terrence Teixeira, research officer,  
Legislative Research Service











E-9

E-9

ISSN 1181-6465

## **Legislative Assembly of Ontario**

Second Session, 39<sup>th</sup> Parliament

## **Assemblée législative de l'Ontario**

Deuxième session, 39<sup>e</sup> législature

# **Official Report of Debates (Hansard)**

Wednesday 15 September 2010

# **Journal des débats (Hansard)**

Mercredi 15 septembre 2010

## **Standing Committee on Estimates**

Ministry of Finance

## **Comité permanent des budgets des dépenses**

Ministère des Finances

Chair: Garfield Dunlop  
Clerk: Douglas Arnott

Président : Garfield Dunlop  
Greffier: Douglas Arnott

### **Hansard on the Internet**

Hansard and other documents of the Legislative Assembly can be on your personal computer within hours after each sitting. The address is:

<http://www.ontla.on.ca/>

### **Index inquiries**

Reference to a cumulative index of previous issues may be obtained by calling the Hansard Reporting Service indexing staff at 416-325-7410 or 325-3708.

### **Le Journal des débats sur Internet**

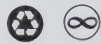
L'adresse pour faire paraître sur votre ordinateur personnel le Journal et d'autres documents de l'Assemblée législative en quelques heures seulement après la séance est :

### **Renseignements sur l'index**

Adressez vos questions portant sur des numéros précédents du Journal des débats au personnel de l'index, qui vous fourniront des références aux pages dans l'index cumulatif, en composant le 416-325-7410 ou le 325-3708.

---

Hansard Reporting and Interpretation Services  
Room 500, West Wing, Legislative Building  
111 Wellesley Street West, Queen's Park  
Toronto ON M7A 1A2  
Telephone 416-325-7400; fax 416-325-7430  
Published by the Legislative Assembly of Ontario



Service du Journal des débats et d'interprétation  
Salle 500, aile ouest, Édifice du Parlement  
111, rue Wellesley ouest, Queen's Park  
Toronto ON M7A 1A2  
Téléphone, 416-325-7400; télécopieur, 416-325-7430  
Publié par l'Assemblée législative de l'Ontario



## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
ESTIMATESCOMITÉ PERMANENT DES  
BUDGETS DES DÉPENSES

Wednesday 15 September 2010

Mercredi 15 septembre 2010

*The committee met at 1628 in room 151.*

## MINISTRY OF FINANCE

**The Vice-Chair (Mr. Robert Bailey):** Routine proceedings being finished, at this time I'll call the meeting of the estimates committee to order. We're here today for consideration of the estimates of the Ministry of Finance, for a total of seven and a half hours.

The minister and staff are here with us. The ministry is required to monitor the proceedings for any questions or issues that the ministry undertakes to address. I trust that the deputy minister has made arrangements to have the hearings closely monitored with respect to questions raised so that the ministry can respond accordingly. If you wish, you may at the end of your appearance verify any questions and issues being tracked by your research officer.

Any questions before we start?

I now call vote 1201. We will begin a statement of not more than 30 minutes by our minister, the minister who's here today, followed by statements of up to 30 minutes by the official opposition and the third party. Then the minister will have up to 30 minutes for a reply. The remaining time will be apportioned equally among the three parties.

Minister, welcome to the committee today.

**Hon. Dwight Duncan:** Thank you, Mr. Chair. I'm joined at the table today by my deputy minister, Peter Wallace. Peter has a long and distinguished career in the public service and has served continuously since 1981 and so has served a variety of governments of different political stripes, and I think represents all the finest that's in our public service. He is joined by a number of his colleagues behind us whom I shan't introduce individually.

The Ontario economy has pulled out of recession as the auto sector is rebounding and domestic demand led by housing is gaining strength.

I want to start with that paragraph to kind of set the tone for the entire speech because there are positive signs in the economy, and I'll take you through more of them as we go through, as well as some of the risks on the horizon in the clouds.

I want to thank the members of the Standing Committee on Estimates for the opportunity to speak to you today. Like other governments around the world, Ontario

was deeply affected by the most severe global economic recession since the Great Depression. After three straight balanced budgets, the global recession caused Ontario, like other jurisdictions in Canada and around the world, to go into deficit in 2009.

The economy of the United States, our biggest trading partner, has markedly slowed, and that has obvious implications for Ontario. While no single industry or individual government is responsible for this global crisis, each of us has a responsibility to act.

Despite these difficult times, Ontario persevered. Our government worked tirelessly to create jobs, stabilize the economy and protect our schools and hospitals.

When our government introduced the 2010 budget in March, we announced that the province is moving forward with its five-year plan to attract new investments and create new jobs. The Open Ontario plan builds on progress made over the past seven years to support job creation and enhance the programs and services that Ontarians value, including education and health care. We are committed to investing in Ontarians, in their education and training that will strengthen their skills and prepare them for new ways of doing work, and in the infrastructure and systems that will make our province more globally competitive.

Our government has been prudent and as open as possible, keeping spending to budget projections. The 2010 budget laid out a realistic and responsible plan to cut the deficit in half in five years and eliminate it in eight years. I'm pleased to say that the province is on track to meet its fiscal targets and that our approach to fiscal planning is yielding results.

Our approach has been well received by markets and rating agencies. Let me begin with what the private sector forecasters are saying. They are optimistic about Ontario's future growth prospects, calling for real GDP growth of 3.9% in 2010 and 2.8% in 2011. Rating agencies and investors throughout the world recognize Ontario as a secure and safe place to invest, giving Ontario a double A1 rating with a stable outlook.

In June 2010, RBC's Provincial Highlights said, "Ontario's economy entered 2010 with renewed vigour, carrying its strongest momentum in almost six years."

At about the same time, the Bank of Montreal's Provincial Monitor said, "The Ontario economy has pulled out of recession as the auto sector is rebounding and domestic demand, led by housing, is gaining strength."

Although these are welcome and positive signs, we are proceeding with caution, leaving the revenue forecast unchanged at this time. We continue to govern with a balanced plan that does not put job creation at risk by cutting too much too soon, nor are we spending as if there is no deficit. We are working towards fiscal balance through effective fiscal management while protecting services and supporting economic growth.

Last month, the Ministry of Finance released Ontario's public accounts. Those are Ontario's audited financial results for the 2009-10 fiscal year, which ended on March 31, 2010. The audited financial results were better than expected from our interim estimates.

At \$19.3 billion, the deficit is \$5.4 billion lower than what was forecast in the 2009 fall economic statement and \$2 billion below the forecast for 2009-10 in the March 2010 Ontario budget.

Our job numbers are also showing positive signs of recovery. Ontario employment rose by 6,300 net jobs in August. That means that, since May 2009, Ontario has seen 211,800 net new jobs created, recovering almost 85% of the jobs lost during the recession.

One of the underlying causes of the recent global financial crisis was a failure of risk management across different types of financial institutions. I am pleased to report that on Monday, we made a joint announcement with the federal government about our plans to support the launch of the Global Risk Institute in Financial Services here in Toronto. The institute will build on Canada's growing reputation in financial risk management. Our government and the federal government are each providing \$10 million towards the institute's initial funding, in addition to private sector donations.

The global risk institute will be a world-leading organization focused on risk management, applied research and education in financial services. It will promote collaboration between university researchers, regulators and practitioners in finance, economics and related fields. The institute will help further strengthen the risk management practices of Ontario's financial institutions, as well as help enhance Canada's growing reputation in financial risk management. Its location in Toronto is an important part of our financial sector strategy to make the Toronto region one of the top 10 financial centres in the world by 2015.

Our government is constantly building new opportunities to grow our economy and create high-quality jobs. We are choosing to invest in Ontario and Ontario families, a decision our government stands by today and as we look to the future.

We know that several sectors of the economy have been severely hit by the recession, some more than others, affecting not only individuals but entire communities as well. Over the past two years, demand for employment and training services has increased sharply. In response, the McGuinty government, through Employment Ontario, has committed about \$1.6 billion in 2009-10 and 2010-11 for jobs and skills training. Last month, new one-stop online access was introduced to the

Employment Ontario service delivery structure. This will make it easier for jobseekers and employers to obtain the full range of programs and services that they need. For unemployed older workers, the federal-provincial Targeted Initiative for Older Workers agreement will support skills training projects in hard-hit communities.

Despite setbacks in employment, records show that the last decades of the 20th century saw major improvements in the incomes of older Canadians and a reduction in poverty among seniors, but already there are challenges as the retirement income system becomes more and more important for people with and without pension plans. Our government is actively engaged in the reform of our Pension Benefits Act and playing a leading role in the national discussion on the retirement income system reform.

The Pension Benefits Amendment Act, 2010, is the first major pension reform in more than 20 years. Our reforms are intended to balance the diverse interests of pensioners, pension plan members and plan sponsors. As I announced in August, we are planning the next reform package to our pension system in the fall.

To ensure that Ontarians have a strong retirement income system, we need our pension system to be stable and sustainable. We will continue to build on recommendations from our Expert Commission on Pensions and subsequent consultations with stakeholders to improve our pension system. This will, in turn, help strengthen our retirement income system. For example, the reform package will look at improving funding for benefits that a pension plan provides and matching funding rules to benefit and governance structures.

After addressing a number of long-term policy challenges, we are taking the next steps to implement reforms that address the concerns of workers, retirees and employers.

As you know, another concern for Ontarians is the high cost of auto insurance. Auto insurance reforms took effect on September 1. These reforms balance the needs of Ontario drivers so that they receive adequate protection as well as ready access to auto insurance. These changes are designed to reduce excess assessment costs in the auto insurance system, and ensure more accident benefit dollars go to treating accident victims.

This will help to further stabilize auto insurance premiums in Ontario.

#### 1640

Ontarians now have more choice and flexibility to purchase coverage that best meets their protection needs and budgets. Together with the insurance industry, health care providers and consumer groups, we are getting the word out to drivers so they will understand their new choices in auto insurance and will be able to make more informed decisions. A number of the changes will reduce costs in the system as the process for applying for benefits will be streamlined. Claim forms will be simplified and regulatory requirements will be reduced to assist both consumers and insurers. Assessments and transaction costs will also be reduced to make the automobile



insurance system more efficient. This will ensure that more accident-benefit dollars go to treating accident victims while stabilizing premiums.

Furthermore, Ontario's standard medical and rehab benefits remain the most generous in Canada when compared to other provinces with similar auto insurance marketplaces.

The pension and auto insurance reforms are just the beginning of our Open Ontario plan. We are investing in Ontarians openly and responsibly by managing spending in spite of escalating and competing demands for scarce resources. This means protecting priority investments and sustaining the progress made in schools and hospitals. We're eliminating the deficit caused by the global recession in a realistic and responsible way—balancing the budget while building the foundation of the Open Ontario plan and leading by example. This means the prudent management of resources and securing the province's long-term financial sustainability.

Another key element of the Open Ontario plan is our government's long-term planning in post-secondary education. Through the plan, the McGuinty government will increase Ontario's post-secondary education attainment rate to 70%, ensuring that every qualified Ontarian can find a place in a college or university. Starting this September, new funding of \$310 million annually in post-secondary operating grants added 20,000 new spaces to colleges and universities.

Another key element to Open Ontario is helping to open up northern Ontario. While many people and businesses in Ontario have been hurt by the recession, those in northern Ontario have been particularly hard hit. The McGuinty government has committed to supporting northern Ontario through new investment and jobs while providing relief to northern industries and residents for their higher energy costs.

Among our government's programs for the north is the recently launched northern training partnership fund. This is a three-year, \$45-million project to help aboriginal peoples and northern Ontarians participate in and benefit from emerging economic development opportunities. To support industries, a three-year northern industrial electricity rate program, averaging \$150 million annually, will reduce electricity prices by an average of about 25% for qualifying, large industrial facilities. Also, a new, permanent northern Ontario energy credit will help eligible low- to middle-income northern residents with the higher energy costs they face.

We have also established a new Ring of Fire coordinator who will lead the collective effort in advancing the economic promise in the Ring of Fire, an area with potentially large deposits of minerals such as chromite, nickel, copper and platinum.

In addition, we are partnering with Thunder Bay and Sudbury to establish pilot economic development planning areas in the region.

Furthermore, to ensure our northern communities receive adequate health care, we opened the Northern Ontario School of Medicine in 2005. In the spring of

2009, the school celebrated the graduation of its first 55 students.

An allocation of nearly \$1.2 billion will strengthen northern communities by improving highways, hospitals, water and waste water systems and other infrastructure.

An educated and healthy population is also critical to Ontario's prosperity. This month, about 600 of our schools introduced full-day learning for four- and five-year-olds, benefiting up to 35,000 children. Full-day kindergarten provides children with the foundation they need for future learning. It supports student achievement and builds on the government's success in lowering primary class sizes and increasing the graduation rate.

Our government's goal is to have early learning fully implemented in all Ontario elementary schools by 2015-16. This will employ up to an additional 3,800 teachers and 20,000 early childhood educators and benefit some 247,000 children. This initiative will help to ensure that working parents continue to have access to quality child care and play an active role in the labour force.

Also in time for school opening, the Premier and I announced the children's activity tax credit, a new measure to help children get involved in sports, arts and other activities. We want to ensure that Ontario's children and youth succeed and reach their full potential from a diversity of experiences and opportunities. The children's activity tax credit is a permanent, refundable tax credit that would allow parents to claim up to \$500 of eligible expenses per child and get a refundable tax credit of up to \$50 per child or up to \$100 for a child with a disability. The tax credit would put \$75 million back into the pockets of parents and will benefit more than 1.8 million children in 1.1 million families. It would apply to any eligible expenses incurred on or after January 1, 2010. Unlike the federal children's fitness tax credit, the Ontario credit would be refundable, and low-income parents, who pay little or no tax, would benefit.

Furthermore, it applies to a comprehensive scope of activities, not just sports. These activities include dance, music, wilderness studies, language classes and programs promoting interpersonal and intellectual interactions. Our government is also stepping in to permanently fill the gap left by the federal government, with an investment of \$63.5 million a year to preserve some 8,500 child care spaces.

As we provide our citizens with the resources they need for the changing times, we are also modernizing and expanding the province's public infrastructure to build on our future prosperity. Our government has fully allocated its short-term stimulus investment programs for municipalities, colleges and universities.

As you travelled through your favourite places in Ontario this summer you may have noticed the construction on the ground. Roads are being reconstructed, water mains are being replaced and arenas are being upgraded. Playgrounds and sports fields are being improved. Upgrades to social and affordable housing are also under way and new projects will be considered on a case-by-case basis. Record infrastructure investments in 2009-10

and 2010-11 are helping to create and preserve more than 300,000 jobs. According to the Conference Board of Canada, the extra boost to infrastructure spending saved 70,000 jobs at the height of the recession and helped lift Ontario's real GDP by almost one percentage point in 2009. It is expected to add a further 0.4 percentage point in 2010.

At the same time that the government begins to wind down its stimulus investments, the tax plan for jobs and growth takes effect. These tax measures, announced in the 2009 budget, will transform Ontario into one of the most tax-competitive jurisdictions in the industrialized world for new business investment.

As you know, on July 1 the harmonized sales tax replaced the retail sales tax. Unlike the RST, most businesses can claim input tax credits for the HST paid on purchases made during the course of their commercial activities. Reimbursing businesses for the HST on most of their business inputs will help foster capital investment and result in significant savings due to the lower tax burden on businesses.

At the same time the HST came into effect, we eliminated the capital tax, resulting in annual savings of \$1.6 billion for businesses.

1650

On January 1 of this year, we cut personal income tax for 93% of income taxpayers and enhanced sales and property tax credits for low- to middle-income families and individuals.

In June, eligible Ontario residents received the first of three sales tax transition benefit payments. The next payment will be delivered this December and the last in June 2011.

These payments, totalling up to \$300 for single people and up to \$1,000 for families, will help 6.6 million families and individuals adjust to the HST.

Small businesses will also benefit from \$400 million in one-time support to help with the transition to the HST.

We've also reduced corporate income taxes for large and small businesses.

Overall, the tax changes will lower the costs of operating a business and lead to new investments and jobs.

In addition to the HST, our government has undertaken a number of measures to modernize public services and create efficiencies in our own operations. This includes eliminating the deficit caused by the global recession in a realistic and responsible fashion.

Other measures to reduce the overall cost of government include:

- delaying a number of long-term capital projects, resulting in more than \$5 billion in capital appropriation savings and reduced borrowing costs;

- moving to the harmonized sales tax, saving approximately \$100 million annually in salaries and overhead;

- reforming Ontario's drug system to maintain affordability and reinvest in health care;

- modernizing government services to improve customer service and efficiency; and

- launching a comprehensive expenditure management review process. This review will be done on a continuing basis, to ensure that major programs and services are focused on new jobs and growth, protecting the environment and supporting the health of Ontarians, especially the most vulnerable.

To address the current fiscal challenge, the budget included measures that would freeze internal operating expenses at or below 2010-11 levels over the next three years, and hold program expense to an annual average of 1.9% beyond 2012-13.

We extended the freeze on MPPs' salaries to three years from one year.

We are freezing the compensation structures of non-bargained political and Legislative Assembly staff for two years, and restraining compensation growth in the Ontario public service and broader public sector by freezing compensation structures of non-bargained employees for two years. This will help redirect up to \$750 million towards schools, hospitals and other public services.

Our budget plan also included a policy statement that new collective agreements are expected to be in force for at least two years and provide no net increase in compensation.

On July 20, I announced that we would pursue talks on new contracts that are agreeable to all parties, as existing contracts expire. We want to work with our partners so that we can hear their views, opinions and proposals and reach agreements that are acceptable to all.

Fifty-five per cent, or more than \$50 billion, of all government program expenses goes to compensation either directly or through transfers. We simply cannot manage the deficit without addressing the single biggest line in our budget. Our goal is to make our partners aware of our fiscal challenge in a detailed way, clarify policy compensation and discuss solutions towards a mutual agreement. We've already seen some success in negotiating contracts within this framework.

We will continue to work with all parties as we align our resources and focus our talent to grow the economy, create new jobs, attract new investments and eliminate the provincial deficit.

We are governing at a difficult time in Ontario's history, when even our best-laid plans can succumb to global forces beyond our control. But it is also a time of great opportunity, and the Open Ontario plan for jobs and growth will give Ontarians a leading edge as we emerge from this recession.

We are building a new economy, and all Ontarians have a stake in it.

We are working to eliminate the deficit without putting job creation and economic growth at risk by cutting too much too soon.

The Open Ontario plan lays the foundation of our government's plan to position the province for new opportunities, new jobs and new economic growth. It is about



reassessing how Ontario does business and how it can best prepare for the times ahead. It is about maximizing existing resources—consisting of people, programs and processes—to the best they can be, as economic recovery takes hold. Ontario is a strong province with a proud tradition. By working together, we can continue that tradition and build for an even better tomorrow.

**The Vice-Chair (Mr. Robert Bailey):** Thank you, Minister. You have about four minutes left, but if that's okay, we'll move on.

We'll move to the official opposition. Mr. Miller, you have 30 minutes.

**Mr. Norm Miller:** Thank you very much. I'm not going to use the time to make a speech; we'll just move right into asking some questions. I guess I would like to start with the big picture, and that is, just the consistency of your predictions, particularly in terms of deficit numbers.

My question is: How can we believe or how can the public believe your forecasts when they seem to change on pretty much a monthly basis? If we look back at that last year, you started out at the beginning of the last financial year predicting roughly a \$14-billion deficit—feel free to correct me if I get the numbers wrong. Then it went up to \$18 billion—I believe it was in the summer-time that it switched to \$18 billion. In early fall, in September 2009, you switched the deficit prediction to \$24.7 billion. As we got closer to this year's budget, you predicted that it would be \$21.3 billion, and then, in the end, it turned out to be \$19.3 billion. That's an awful lot of changes in one year, and I just have to ask: What's the validity of making budgets if the numbers change on a weekly basis, and can you explain why these numbers change so often?

**Hon. Dwight Duncan:** Yes. Two years ago yesterday, Lehman Brothers collapsed, and there was a major shock to the world economy.

Forecasts are difficult. That's why, the day I announced that Ontario had a deficit coming, Prime Minister Harper said that the federal government would not see a deficit, and that turned out not to be accurate. We did make adjustments, and in the interest of openness and transparency, as numbers adjust, we adjust them and we share them with the public.

You will see that overall, in normal times, our variances in the broader budget numbers are usually within 1% or 2%. The numbers are enormous because of the size of our budgets, but the fact of the matter remains that forecasting was particularly difficult in the last two years, the years that you have cited, and that was a phenomenon that—

**Mr. Norm Miller:** To correct, that was just this past year I was talking about.

**Hon. Dwight Duncan:** Yes, but that's the outcome of the last two years. You will see, as well, that that happened, I think, in virtually every jurisdiction. In fact, Ontario was the first in Canada to acknowledge a deficit. When we first did that, again, in the interest of openness and transparency, I remember in the fall of 2008—I think

it was November when I first went public and said, "We're now projecting a deficit"—the federal government said that they would have a balanced budget throughout the future. That, of course, changed. And we knew that wasn't accurate, because Ontario is 40% of the Canadian economy.

I would suggest that you will see greater stabilization of the numbers and the forecasts as the economy returns to growth, but I will give you a "for instance." Another factor that happened that year and the year you quoted: our corporate tax revenues dropped by half. It was unprecedented, and nobody could predict that.

So governments around the world had these challenges, and you saw it right in Canada. These are the challenges that I think one would anticipate, given the economic upheaval that went on, and when you look at Ontario's record with respect to these kinds of forecasts, I think you'll find that overall we were very consistent with what we were seeing across the country and around the world.

**Mr. Norm Miller:** I actually went back and looked at all the budgets since you've been in power, since 2003, and with the exception of one year, they've been fairly far off the mark.

But on that topic, I would simply say that the meltdown happened in October 2008, you were doing the budget in March 2009, and surely you must have had, with all the smart people here in the room, some predictions that things weren't that stable, even leading up to the meltdown.

1700

**Hon. Dwight Duncan:** I'll just share a quote with you from Doug Porter, the chief economist at BMO, who at the time said that trying to make projections about the economy right now is like trying to sell your house while the kitchen is on fire. Everybody experienced the same problems. Again, when you look over time and compare against other governments, we all have the same challenges.

I remember, I think the year before 2008, we had an unanticipated surplus. Numbers came in stronger than projected. They were, then, what I would call very reasonable variances on the revenue and expenditure side. The numbers, in an absolute sense, are large. When you look at them relative to the overall revenue or expenditure profile as a percentage, they are, generally speaking, within what I would call acceptable variances.

The year you reference—you're absolutely right. We now have hindsight. The economy bottomed out, we think, around May 2009. That was literally when we were in the middle of it. So, as you forecast and you try to put pen to paper about future events, you do the best you can using the best advice that you can.

I should remind you, we also rely on the advice of 12 private sector economists to help us with determining growth rates. We utilize what I would call principles of conservatism in those estimates. We will tend to forecast based on a scenario that's a little bit—we generally will set growth a couple of points below what the private

sector consensus is. We also build in contingency and reserve, which is designed to help offset those unanticipated fluctuations.

I think our record stacks up quite well compared to certainly all other Canadian provinces, the federal government and what we've seen across the world in the last two years.

**Mr. Norm Miller:** The meltdown happened in October 2008, and we're in 2010 now—pretty much two years distant—and you're just now starting to talk about restraint. You're starting to now deal with about half of your budget, which is the public sector wages, especially unionized workers. What took so long? I heard one of the Toronto Star reporters ask that of the Premier last week. What took so long for you to start down the line of trying to show some restraint? This year, you've got \$107 billion of revenue. That's a record revenue for the province of Ontario. Unfortunately, you plan to spend \$127 billion. Why has it taken two years to start the process of negotiating with the unions?

**Hon. Dwight Duncan:** With respect, we have restraint measures in every budget. They've been outlined, carefully detailed—and in public accounts and through our reports to the Legislature, report back on restraint measures that have met with success and, candidly, those that have not. Not all measures have met with success.

We made deliberate choices not to lay off people, not to put people out of work at a time when the economy was contracting. If you look across Ontario, in most of our major urban centres, with a couple of exceptions, the public and broader public sectors are the largest employers in those communities. We moved this year, as we move back into growth, to restrain compensation, but we also, over the course of the last number of years, have, for instance, got rid of a number of the consultants your governments hired—consultants who were paid more than the employees you fired.

We have taken steps to invest in health care and education, and yes, we did hire nurses and we chose not to lay off nurses and teachers. When you speak of public servants, when you speak of public payroll, that's who you're talking about: You're talking about nurses; you're talking about teachers; you're talking about firefighters, environmental inspectors. You're talking about a range of people across the province whose incomes help support local economies.

Now we have moved to freeze compensation in the non-bargain sectors, and we are moving through what I would call constructive but challenging discussions with situations where collective agreements are in place.

I think all of us at the table are interested in preserving and enhancing our public services. The final commitment we made is that as we achieve these savings, those savings will be left in the broader public sector—that is, in hospitals and schools—so it's not a matter of the government clawing back the money and taking it out of those institutions.

Where it does benefit us down the road is—and to your earlier questions about the time lag between events

and the outcome of those events—this will take future pressures down on government in the areas of health care and education, and help to manage future pressures.

We are taking what I would call a methodical approach to this, one that is designed to get us back to balance. We laid out a balanced budget plan; we've exceeded the target on our first year. That plan has been well-received by the credit-rating agencies. Ontario managed to retain its credit ratings throughout this period of time. There will no doubt be other challenges, but we will continue to build on that record.

I should again remind the member that our expenditures have been within a very close variance of budgets predicted, certainly over the last two years.

**Mr. Norm Miller:** I'll have to bring for the next meeting the record of the past six years.

I would like to ask a question about future liability. I know that in one of your first budgets, the Auditor General came in—you had the budget, and I think you had written off about \$4 billion of NUG—non-utility generators. The Auditor General came in and had you restate that after the fact.

Your government has been entering into the Green Energy Act, and a big part of that is the feed-in tariff agreements you're making. I call that the buy-high/sell-low program, where you're buying electricity at 80 cents a kilowatt hour for rooftop solar, down to roughly 14 cents a kilowatt hour for wind power. Those are 20-year contracts, with escalators built in.

What is your estimate, or have you done an estimate on the future liability of those contracts and what that's going to cost? Because we've seen in the past that NUGs did cost the province a lot of money.

**Hon. Dwight Duncan:** Every year, we engage with the auditor on a range of issues around proper accounting. For instance, when we came to office, there was a hidden \$5-billion deficit that your government left behind—

**Mr. Norm Miller:** Excuse me, if I may. I happened to be on the estimates committee in 2003. I sat here when Gerry Phillips was in my position; it was June. He did a pretty good job, I have to commend him, because he estimated at that point in June that he thought there was a risk of about a \$3.5-billion deficit, and he went through why he thought that: because of SARS, and then of course the blackout came after that.

I'm sorry, I disagree with you. I think there was the risk of a deficit probably more on the line of \$1 billion to \$2 billion, as your finance critic at the time correctly pointed out.

Then your government did everything in your power—including the way you accounted for the NUGs—to inflate the number to the number you had picked in advance, which was \$5.6 billion—

**Hon. Dwight Duncan:** I think the people of Ontario passed their judgment on that budget through an election. The auditor, Mr. Peters, whom we brought in—we had to restate the books the following year. We had to pass something called the Fiscal Transparency and Account-



ability Act, which you folks resisted for many years, to ensure that no future government, in the run-up to an election—I want to maintain parliamentary language—could not publish financial information that may not reflect the real situation.

Next year, I will have to submit my budget numbers to the auditor in advance of the election, and he will have to attest to their veracity. I'm hoping that in this election, unlike in the last one, your party will submit its campaign documents to the auditor to try to attest to the veracity of those numbers.

But back to your question about the liabilities; I'm going to ask my officials to try to respond to that.

As you know, one of the initiatives, three budgets ago now, was that we consolidated a much greater number of institutions on to our books, and the public sector accounting rules have changed quite dramatically over the course of the last seven years—they're designed to provide greater accountability and transparency. I should tell you—and you would be aware—that the federal government and provincial governments around the country actively engage with PSAB around these rules. There is some controversy in them, because it is our view—and I think the view of all provincial governments; there's a common front on this—that some of the rule changes have in fact perhaps not provided the accountability and openness that I think were intended. So we will continue to work with provincial governments from across the country and the federal government and participate in those.

1710

But, with respect, Deputy, I'll ask you on the specifics around the feed-in tariffs.

**Mr. Peter Wallace:** As the minister says, the accounting for the public sector continues to evolve. The liabilities and any costs or issues associated with feed-in tariffs or, at this point, the energy sector in general, are actually a function of the energy sector. They are incurred within the context of the energy sector and incurred within the context of the rate base, so under the current—and I think for the foreseeable—accounting structures, are not liabilities of the province of Ontario.

**Mr. Norm Miller:** Who are they liabilities of, then?

**Mr. Peter Wallace:** It's a question that is probably more appropriately addressed to the Ministry of Energy, but the Ontario Power Authority is the primary holder of those contracts.

**Mr. Norm Miller:** And the Ontario Power Authority is an agency of the government of Ontario.

**Mr. Peter Wallace:** Yes.

**Mr. Norm Miller:** So it seems to me that the people of the province are still responsible for it, whether it's an agency of the government or not.

**Mr. Peter Wallace:** And all of these agencies, as Ontario Power Generation or Ontario Hydro before that, are instruments that are, of course, linked into policy direction set by governments of Ontario really since time immemorial, so that remains consistent.

**Mr. Norm Miller:** Sure.

**Mr. Peter Wallace:** But in terms of the specific question and the accounting rules and the liabilities, these are not liabilities that are incurred directly by the province of Ontario or reflected on our books.

**Mr. Norm Miller:** So if I could ask research or the ministry to endeavour to find out what the value of those future liabilities is, I would appreciate it.

Now I'm going to switch topics. Of course, there was a demonstration going on today—two demonstrations today. They were in fact a little bit mixed up, I hear, at one point. We had the Far North Act, Bill 191, demonstration going on and Nortel pensioners also outside the Legislature today.

I guess my question—I think perhaps the member from Mississippi—what's the name of Norm's riding?

**Mr. John O'Toole:** Carleton-Mississippi Mills.

**Mr. Norm Miller:** The member for Carleton-Mississippi Mills may show up here to ask a question as well, but I did want to ask about Nortel pensioners. I know they've come to me, and I'm sure they must have gone to the Ministry of Finance. They're very concerned about their pension being wrapped up on September 30 and individual annuities having to be purchased and the cost involved with the purchasing of those individual annuities and the loss that they're going to face as a result of that. They also point out that there will be costs to the pension benefit guarantee fund from that process going on.

They've put forth their alternative, which is this financial sponsorship model that they say will save the pension benefit guarantee fund money, save the cost of these individual annuities—and they also question whether Ontario has the capacity to do all these annuities at one time—and provide for more income for the pensioners. The way they portray it, it's a win-win situation: It saves the Ontario government money on their liability in this pension benefit guarantee fund, they end up with more money, and there's less money spent on these annuities.

What's your opinion about their proposal?

**Hon. Dwight Duncan:** We didn't agree with them. We had a close look at it. There are a number of issues around this, and these have been tried elsewhere, particularly in Great Britain. When you boil it down to the essence of the proposal—and I actually went to Ottawa to meet with them some months ago. At the time, we expressed our very real concerns about it, and we've met subsequently, both officials as well as members of my staff. We have looked at this very carefully.

There are a number of issues. First of all, the implication of what they're proposing is that at windup, on September 30, which was agreed to by all parties under the federal bankruptcy act, so that can't be amended—in fact, the pensioners themselves were signatories to the agreement. They're basically proposing a system or a plan that would invest in riskier assets, which could lead to higher returns. It could also lead to a loss of principal, which is why there was a substantial division within the Nortel community itself among disabled employees

particularly, as well as some other people who were worried about the integrity of the principal that's still left—\$2.5 billion.

I'll remind you that this is a pension plan that was horribly mismanaged, not by the government, not by FSCO, but by Nortel, and it is horribly underfunded.

You raise a valid point about the size of the Canadian annuity markets, but that can be properly managed. We have provided \$250 million to ensure that the first \$1,000 of benefits for all Nortel pensioners will be guaranteed. That will cover off a very substantial portion of all pensioners, and I may ask Steve if he's got that number handy; if not, we can provide it to you.

**Mr. Norm Miller:** Just on that, I thought the number in the budget was that \$500 million was transferred—

**Hon. Dwight Duncan:** That's for all PBGF. There have been other claims against the fund—

**Mr. Norm Miller:** So there was \$500 million in this year's budget that was transferred to the pension benefits guarantee fund—

**Hon. Dwight Duncan:** No, no—there was—yes, but for all claims. Nortel represented half of that.

**Mr. Norm Miller:** On that point, the report recommended that any money being transferred to the pension benefits guarantee fund be a loan, not a grant. Why did you not follow that advice?

**Hon. Dwight Duncan:** Because, first of all, the auditor—you were talking about audit standards, and the potential of repayment was not there.

**Mr. Norm Miller:** Okay. I interrupted your response on that. Go ahead.

**Hon. Dwight Duncan:** We disagreed with it. We agreed with the disabled people from Nortel who were worried about their principal. We looked at it very carefully. We looked at the experience in Britain. I quoted some of the findings in the House today around that issue, and we moved to put 250 million taxpayer dollars in to protect the first \$1,000 of benefits, which was essential. I'll provide you with the numbers. I don't know, Steve, if you have them handy. If you don't, we'll—

**Mr. Steve Orsini:** At least a third would be fully protected.

**Hon. Dwight Duncan:** At least a third would be fully protected, that is, they would see no decline in their pension. The reason is, it was pensioners of more modest pensions that are under \$1,000 who were worried about the decline or the potential risk associated with what essentially was a plan to invest in riskier assets in hopes of a higher return.

**Mr. Norm Miller:** I did go out and speak to some of the leaders out at the rally today. What they said to me was that the substantial division of which you speak is of the disabled pensioners, of which there are 400. That's some 30, 35 pensioners of the 18,000, I believe, Nortel pensioners. So I wouldn't classify that as a substantial division, if what they tell me is in fact correct.

**Hon. Dwight Duncan:** Quite apart from that division is our fundamental disagreement with the recommenda-

tions. It is risky. It is moving in the exact opposite direction that we are trying to move in with pension reform, and that is to protect the viability of pensions. What this fundamentally represents is taking the principal and investing it in higher-risk assets, which may yield a higher return but, as so many have learned in the last few years, it can also lead to dramatic undervaluation of pension.

The final point I should make is that even if we were to agree that the plan would yield the results they believe it would yield, it would require a change in the federal Income Tax Act and a change in the federal bankruptcy act, neither of which have been guaranteed or recommended.

1720

So for all those reasons, we decided to put \$250 million into the PBGF to protect Nortel pensioners on the first \$1,000 of their monthly pension, but have unfortunately not been able to concur with their analysis about the benefits of this proposal. In fact, it is our view, and the view of my officials and those of us who have been looking at this carefully, that in fact it could lead to much greater risk for those pensioners who at least will want to rely on the income they will receive as a result of investments in annuities.

**The Vice-Chair (Mr. Robert Bailey):** You have five minutes.

**Mr. Norm Miller:** Thank you. So the substantial division, though, that you were speaking of, that's the 30 to 35 people. Do you disagree with that?

**Hon. Dwight Duncan:** It's much larger than that. The final point is, Nortel pensioners across the country would have to agree to this, and no one has even attempted to speak to them. Again, that's driven by federal requirements. And I just want to stress that even if that division wasn't there, it would not have changed our decision. This fundamentally would not protect people who have already, in my view, been very unfairly left with this very unfortunate circumstance, and I would simply not concur with them as to the prudence of this approach, or that they would see a return to what we would all like to have seen. None of us wanted this to happen, and we've done what we believe is appropriate.

**Mr. Norm Miller:** When I went out and spoke to some of the leaders of the group today, I asked them what they'd like me to ask you and they said to ask about this. They heard your response earlier in question period and how you were talking about increased risks. They wanted you to define that risk, because I think what they see is pretty much certain devaluation of their pension with the way things are going—I don't know what the number is, 35%—and they're concerned about this annuity situation. They point out that in England, where this has occurred, the price of annuities has actually come down substantially. So they wanted me to ask you to define this increased risk and what exactly you mean by that.

**Hon. Dwight Duncan:** What it means is that the \$2.5 billion that's left, which is nowhere near enough to cover the liability, will be invested in much riskier assets, in



assets that a pension normally wouldn't be invested in. Frankly, these people have been victimized already by this, and our view is, candidly, that it is not in their interest. They disagree with us. We respectfully disagree.

By the way, the other part that is of concern is that it would likely require the government to backstop these investments. That would be an enormous challenge as well.

**Mr. Norm Miller:** Sorry. On that, they claim that it would save—I think they said \$100 million on—

**Hon. Dwight Duncan:** They're wrong.

**Mr. Norm Miller:** —on the pension benefits guarantee fund.

**Hon. Dwight Duncan:** Their numbers are wrong. Our view is that the kinds of choices that we've made will actually help protect those pensioners from a further erosion of the principal associated with their investments.

**Mr. Norm Miller:** I know Mr. Sterling wants to ask, in the two minutes that we have left—you're late.

**Mr. Norman W. Sterling:** Mr. Duncan, I'm concerned for the Nortel pensioners. Basically, it's their money, the \$2.5 billion. They have hired experts who have said that the model that they've put forward is viable. They've measured the risk. They say that they're willing to accept that risk, but you're acting like the godfather who is saying to them, "Notwithstanding that it's your money, I'm going to measure the risk and I'm going to impose upon you a solution," which is going to produce a much lower pension benefit than they believe that they will receive by their own choice over their own money. Why are you imposing this on them when it will be their decision?

**Hon. Dwight Duncan:** Well, actually, there's now 250 million tax dollars in this, just to get to a minimum. That's number one. Number two, there's no—

**Mr. Norman W. Sterling:** But they claim, Mr. Minister, that that will be less of a draw with their particular plan than with your plan.

**Hon. Dwight Duncan:** We respectfully disagree with that.

**Mr. Norman W. Sterling:** Well, why don't you have open hearings in the public so that people can weigh in?

**Hon. Dwight Duncan:** We've met with them, heard them out and responded in writing. We've got a piece of legislation coming to the House on the Pension Benefits Act—

**Mr. Norman W. Sterling:** Which has nothing to do with their issue.

**Hon. Dwight Duncan:** Well, it does.

**Mr. Norman W. Sterling:** It doesn't because it will not deal with their issue.

**Hon. Dwight Duncan:** With all due respect, these people have been hurt badly already by a mismanaged pension. I think we all agree to that. We have put \$250 million in, so the taxpayers do have a lot of money in this already.

Number three, it is unlikely that this type of plan could go forward without government guaranteeing. You will,

in fact, be putting the government—because this plan will not have a sponsor, the government will have—

**Mr. Norman W. Sterling:** Well, make that a condition. So you will not guarantee it?

**Hon. Dwight Duncan:** The advice we've had is that we can't make that a condition and that the government will ultimately have the liability associated with any losses. So what we have done is we have moved to protect the first \$1,000 of pensioners' income, and that represents—at least a third of pensioners are at that level.

The final point is—and I apologize, I said this prior to your arriving—even if we agreed with them, we would require a change to the federal Income Tax Act as well as the bankruptcy act in order to give effect to this, and then Nortel pensioners from across the country, as I understand it, based on the bankruptcy act, would have to agree to this.

**Mr. Norman W. Sterling:** Don't we agree? Don't we think we should try?

**Hon. Dwight Duncan:** We don't. We think that puts them at greater risk.

**The Vice-Chair (Mr. Robert Bailey):** We have to move to Mr. Tabuns. We went a couple of minutes over. I didn't want to interrupt when you were trying to finish your answer.

Mr. Tabuns?

**Mr. Peter Tabuns:** Good afternoon, Minister. Just following on pensions for a moment: Harry Arthurs and his expert commission recommended that the government increase the monthly benefit guaranteed by the pension benefits guarantee fund to \$2,500, and as I understand it, your government is not doing that. Can you tell us why?

**Hon. Dwight Duncan:** Yes. Mr. Arthurs also recommended that you have to pay for it. And that would require, we estimate—and we've done detailed actuarial studies—about a 1,000% increase in premiums. We have decided not to move on that at this point in time. We have not outright rejected it, but we felt that at this point in time we had to stabilize the fund and, again, do more work on it.

A couple of issues that were raised by Professor Arthurs in his dialogues as well as by stakeholders, both on labour and management sides—one that is broadly categorized as the moral hazard. That is, if there's that much insurance there to protect it, it could actually incent bad behaviour in terms of the management of a pension; and secondly, the concern that the 1,000% increase in, essentially, the insurance would be a disincentive to employers offering defined benefit plans. Professor Arthurs is pretty clear about that as well. That is part of the challenge you have.

I just remind the member that Ontario is the only subnational jurisdiction that has a pension benefits guarantee fund. The Americans have one and the United Kingdom has one, and they're both underwater as well. So the challenge associated with funding it is a big concern, and it's because of the two points I've raised: the moral hazard associated with, "Well, you know, so

we're having a bad few years"—and we've seen this happen in Ontario—"but it's insured, so we just won't worry about putting money in it."

The balance of the regulatory changes we're making to the Pension Benefits Act are also designed to alleviate the need, or at least reduce the risk associated with conventional defined benefit pension plans.

**Mr. Peter Tabuns:** You referred to an actuarial study that was done. This was in addition to the Arthurs report? It was done through your ministry?

**Hon. Dwight Duncan:** Yes. He recommended that we do an actuarial study. We've done that. We've published it, it's available and we can share that with you.

**Mr. Peter Tabuns:** If you've already published it and it's available, could you just give me the URL so that I can check it out? I see nods in the audience; this is good.

**Hon. Dwight Duncan:** Yes, it's there.

**Mr. Peter Tabuns:** Okay, thank you.

This question about Nortel: You've answered fairly extensively. I'm not going to cover all the same ground, but Harry Arthurs, again, recommended that an Ontario pension agency be set up that would allow orphan plans like Nortel's to be managed back to solvency. I understand you're not proceeding with that. Can you set out your reasoning?

1730

**Hon. Dwight Duncan:** Cost. I mean, there's an enormous cost to taxpayers. Only about a third of us are covered by a defined benefit pension plan or any pension at all. Again, we have not rejected that, but we have to look very carefully at how you pay for it and who becomes liable for—well-defined term—an orphan pension. The Nortel plan as of September 30 will not have a plan sponsor, so there are a number of legal issues associated with that, not the least of which is that it would require a change in the federal Income Tax Act. I'll perhaps ask one of my officials to address that in greater detail if you'd like.

**Mr. Peter Tabuns:** Yes, and I would appreciate that.

**Hon. Dwight Duncan:** While we have moved on—and by the way, again, Mr. Arthurs has also recommended that these things have to be paid for. What we want to be careful of is that the cost associated with paying for this doesn't become a disincentive to employers to offering a pension, particularly a defined benefit pension plan, which many people across both the political and economic spectrum, including former Governor Dodge and others, advocate for: greater coverage defined benefit pension plans.

So, in theory, yes, we're not quibbling with that concept. The issue becomes the construct and ultimately how it's paid for and what the consequence of essentially a high premium or a high contribution rate would be, both from the perspective of moral hazard as well as the liability associated with those orphan plans.

**Mr. Peter Tabuns:** And do you have a person available—

**Hon. Dwight Duncan:** Steve, are you here to handle that?

**The Vice-Chair (Mr. Robert Bailey):** I'd just ask you to identify yourself for the record.

**Mr. Steve Orsini:** My name is Steve Orsini, associate deputy minister of the Office of the Budget, Taxation and Pensions.

**The Vice-Chair (Mr. Robert Bailey):** Thank you.

**Mr. Peter Tabuns:** So you have many hats?

**Hon. Dwight Duncan:** And, by the way, the new Deputy Minister of Revenue.

**Mr. Steve Orsini:** I'd just like to expand the minister's comments in a couple of areas. As part of the minister's announcement earlier in August about putting the PBGF on a sustainable track—it was the \$500 million grant, strengthening the funding roles, a modest increase in assessments, and looking at dealing with the moral hazard issue in terms of any recent benefits improvements would be excluded when you calculate the claim for the PBGF. That's really important before any new agency is considered, moving forward the PBGF and putting it on a sustainable track.

The other point about the role of the federal government: There's a number of things we're working with the federal government and other provinces on retirement income. This is the 70% of those that do not have a registered pension plan. There are a number of rule changes that Mr. Arthurs recommended that we're actually working with the federal government on, because he did point out that there's a strong role for the federal government to make a number of those changes. Coming out of the meeting in PEI with finance ministers, officials were tasked to develop a number of papers: One is a modest increase to CPP, one is pension innovation. That is a key piece going forward to put the entire retirement income system more in a stable, sustainable track.

**Mr. Peter Tabuns:** Fair enough. Thank you. Mr. Orsini may be called back but I'll try you first, Minister. The CPP enhancement announced by yourself and Minister Flaherty in June in PEI: What's the status of that enhancement and when are we likely to see any enhancement enacted?

**Hon. Dwight Duncan:** Steve just reported that a group of officials from the provinces and the federal government have been tasked to bring back a report. Do you recall when our next meeting is?

**Mr. Steve Orsini:** By the end of December.

**Hon. Dwight Duncan:** By December of this year we expect to have that report back.

**Mr. Peter Wallace:** Last year it was on the Saturday before Christmas in Whitehorse. We're hoping for a little bit better timing this year.

**Hon. Dwight Duncan:** So we'll have that report back. There could be considerable disagreement among various provinces and the federal government, depending on what comes out of that, so I don't want to give you a hard and fast date as to when those reforms will come about. Suffice it to say, there appears to be a broad consensus that we need to move forward. Now we have to give definition to what we mean by that, and to your point,



then, definition as to how long it would take to do that. So it's difficult for me to answer that right now.

**Mr. Peter Tabuns:** The status of the second part of the PEI agreement with Flaherty, the multi-employer defined contribution that was being proposed by the insurance industry: Are there interprovincial talks going on on this as well?

**Hon. Dwight Duncan:** I'll ask Steve to comment on the officials level, but yes, these conversations go on all the time. I did a series of consultations across the province in the spring. I heard from a range of interests on these issues. These are all part of what is being considered as part of what I would call the broader post-retirement income agenda, because again, so few of us actually have a registered pension plan.

There is considerable disagreement with respect to the effectiveness of those kinds of plans. What we have agreed on is that there needs to be a modest adjustment to the Canada pension plan, but there is a range of other issues that governments across the land are looking at that requires both federal and provincial input, legislation.

So the short answer is, yes, those are talked about. There's no consensus on whether to move forward or how to move forward, even if you have that consensus. Again, this is one of the reasons why I think anything that deals with pensions or post-retirement income tends to be a fairly long process, and, as I'm sure you know, with very defined positions between employers, employee groups and so on.

**Mr. Peter Wallace:** Just to add to that ever so briefly, I think there's a pretty good understanding among the officials who work on this, along with the government's leadership—all governments—that these aren't issues that developed overnight; these are issues that have developed over a considerable period of time. CPP is certainly going to be a critical part of the answer and it's something that we need to work very closely with other governments on to make sure that our position is understood. In fact, the position agreed to has been respected and it continues to move forward.

There are critical aspects as well, because the CPP will fill part of it, but not all of it. There are aspects of private sector roles, pension innovation and a variety of other things that need to be brought in. That's a very active conversation, but because of the complexity of it, as the minister says, it will take a little bit of time to sort that through. There is, within that context, the occasional different view, and we do need to move towards a consensus on that.

**Hon. Dwight Duncan:** Peter, we're both politicians, and the other interesting aspect in this whole debate is that there are governments of all political stripes at the table—Conservative governments, Liberal governments, NDP governments from across the country. There's a remarkable degree of unanimity on the need to improve things. Of course, there will be disagreements as to how and then, obviously, the construct, but one of the interesting aspects of federal-provincial conferences is that

you do have that cross-section. I have to tell you, I've been quite struck by what I would term a broad consensus at a high level about the need to make sure we get this right.

**Mr. Peter Tabuns:** No, I'm not surprised. I think it's coming at all of us in a very big way.

In the next question, I'd like to pursue a different line, setting pensions aside for the moment. You're facing a very large deficit—Ontario is facing a very large deficit—and yet you've brought very substantial corporate tax cuts. When the previous administration was in power, you spoke out against those tax cuts and, I thought, made some very good arguments about why it would be better to spend that money dealing with health and education as a way of building the base for our economy rather than increasing the price-to-earnings ratio. What's your rationale in shifting from one position to the other?

**Hon. Dwight Duncan:** The consistent advice we've had is that because of recent corporate tax cuts in other jurisdictions here in Canada, we ran the risk, if we didn't proceed, that we would see what the economists call tax leakage or seepage to other jurisdictions. As one economist put it to me, we can sustain a one- or two-point difference in the percentage between, say, Alberta, British Columbia and Ontario, but we cannot sustain a four-point difference.

1740

We are taking our time on the implementation of them. We've laid out a longer timeline. We've brought the manufacturing rate down from 12% to 10%. That was well received, for instance, by the automotive sector, vehicle manufacturers, the forestry industry. The example I'm most familiar with is the auto sector. It makes them more competitive in attracting product mandate to our plants. A number of them have publicly said that that was part of their rationale for some of the new product mandates.

You're right: We did stop them moving forward I think in our 2004 budget. Again, there was the unexpected deficit of \$5 billion, but since that time, other jurisdictions have cut their corporate taxes more. There is the race-to-the-bottom argument that I've heard many times. Unfortunately, we are subnational jurisdiction. The risk associated with not doing that, with not proceeding and staying competitive, was great. It's designed to maintain and hopefully, over time, create jobs.

**Mr. Peter Tabuns:** Let me understand a bit better. Your interest here is in making it more cost competitive for corporations that operate out of Ontario and export their goods or take part in national and international markets in other ways?

**Hon. Dwight Duncan:** It is designed to maintain our overall competitiveness in attracting new investment, in keeping investment that's here—what our officials term "leakage." Because of the nature of capital today, you can move a great deal of money very quickly with the touch of a computer button.

It is designed to maintain our competitive position. It is one of a number of factors. Our greatest strength, I think most economists and others would say, is the highly skilled nature of our workforce, the quality of our workforce, quality-of-life issues. There's a range of them. That is one of them.

Again, the strongest advice we had from economists across the spectrum was that we had to make sure we stayed competitive, especially as other—New Brunswick, as you know, is moving to an 8% corporate tax. That will put still further pressure, although we wouldn't be able to move any further than we have. We have tried to do it in a way that is over a span of approximately three years, but we do it simply to maintain our competitive position, particularly within the Canadian context.

**Mr. Peter Tabuns:** Are there other elements in Ontario that you think are critical to us being competitive?

**Hon. Dwight Duncan:** Yes. As I just spoke of—

**Mr. Peter Tabuns:** You said education. I understand the corporate taxation rate—

**Hon. Dwight Duncan:** Our health care system is still a competitive advantage: Employers don't have to pay health premiums. Our natural resources are a competitive advantage as are, again, our human skill sets. Our public infrastructure is extremely important.

Whether you're talking about public transit or whether you're talking about roads and bridges and highways, that's one of the reasons we made some of the investments we did as part of our infrastructure plan. We see that as an important component of productivity and what is broadly being spoken of as the productivity agenda. That's one area where Canada does tend to lack.

Productivity is not as strong as I think most of us, again of all political stripes, would like to see. I had the opportunity with the Premier to meet with Prime Minister Harper and Jim Flaherty in Ottawa, and among other things that we talked about that day was what was broadly categorized as the productivity agenda.

I think most economists agree that we need to become more productive and more efficient and improve our relative position in the world. The last study I saw said we're, I think, 16th, and that poses challenges.

We also have new dynamic industries, high-tech industries, everything from digital imaging through to the BlackBerry and others—vibrant. By the way, an industry that is growing in different parts of the province saw a great digital animation studio in Sudbury; they're in Niagara region and Ottawa, as well as, of course, right here in Toronto.

Human skill sets, public health care, a competitive tax environment, good infrastructure, a good school system, good post-secondary education—all of those are factors. In addition, the tax cuts, from our perspective, are a very small part of it and really designed more to be about competitiveness. The real investments are in education, health care and those public services and public infrastructure that serve the broader interests that we believe, over time, will enhance our productivity.

**Mr. Peter Tabuns:** Why is it that, in your assessment, we're falling behind on productivity? I don't want to go on at length, but I'll just say, I talk with a lot of people. You're from Windsor. Working people in Canada work very hard; they're not slackers. They are, generally speaking, well educated, having been myself raised in schools that were run by Bill Davis. We have all of those things. Why are we falling behind?

**Hon. Dwight Duncan:** One of the reasons that has been cited is business investment in capital. For many years, it was difficult to make investment in new machinery and equipment, for a whole variety of reasons. That's one that has been cited to me by economists.

I remember, I toured one pulp and paper company—I won't name them. They had at the time three lines. On one of the lines, the equipment had been there since 1977. So investment in productive machinery—I don't believe it's the human element. The experts I've had the opportunity to talk to speak of investments in new machinery and equipment. And it's not about working more, it's about working smarter, and that's why we're investing a lot of money in post-secondary education, in higher levels of attainment, higher skill sets, to adapt to the new economy.

I worked in those auto plants when I was in school. I put myself through school working in auto plants. When I was a kid there I used to put valves in the cylinder heads as they went by on the line. Now the same employee runs a computer that manages that. So the skill set that is needed is much greater. The training associated with that is much greater.

Who would have thought of a BlackBerry even 15 years ago? And yet there are thousands of people working in Kitchener–Waterloo and other parts of the province on that. Our investments in education are designed to ensure that our workforce continues to have the skill set that will attract the best and highest-paying jobs.

The Premier says from time to time in speeches that we will not be able to compete with Vietnam or China or India in some of the more traditional manufacturing or assembly functions that are done there, but we can compete here and we can lead, and we are, in many instances, leading. So I think those kinds of investments—you'll see that through our Reaching Higher plan, you'll see that in what we talked about in terms of the additional college and university spaces we're providing. Those kinds of public investments are important to future productivity.

**Mr. Peter Tabuns:** I have to say I'm worried about the strategic assumptions in part of what you have to say. When I look at China and India, they are not slacking off when it comes to post-secondary education. They are graduating large numbers of engineers and scientists. Recently, IBM made an investment in China in a renewable energy lab that they could have put anywhere in the world, but they decided that because the manufacturing was there, the market was there—in a way, far more extensive than anything we have here—they were going to put their brain investment in China.



I think we're bright enough here, but I think an assumption that we will be in the lead intellectually is one that is pretty risky. I think it's part of the component or part of a strategy you have to have, but I don't assume that India and China and Vietnam are going to do the simple assembly work in the future; they have the intellectual capacity to go far, far beyond that.

1750

**Hon. Dwight Duncan:** There are more students in China studying engineering than there are students in university in the United States. You're absolutely right, but—

**Mr. Peter Tabuns:** But—

**Hon. Dwight Duncan:** —we still have to make our investments in education. Indeed, we are reaching out, and we discovered, among other things, that one of Australia's largest industries is educating foreign students.

**Mr. Peter Tabuns:** Yes.

**Hon. Dwight Duncan:** That is part of our Open Ontario plan. There is going to be greater integration into the global economy.

There are also really bright signs. I'll give you an example: Merrill Lynch opened an in-house software development office here in Toronto about a year and a half ago, right as things were starting to go south—maybe a little more than a year and a half ago. I was invited, along with Mayor Miller, to the ribbon-cutting for this.

Just a couple of observations: One, I raised the average age in the room, because the employees—about 150 at the time—were probably in their mid-twenties. They were the faces of the world. They were very much reflective of Toronto and this great diverse community, but they were all educated in our universities. Merrill had a competition to locate this in any number of places in the world and they chose the Toronto region because of the quality of our universities and the quality of the people coming out of those universities and their diversity. They are supplying software, literally, to their offices around the world. They need to communicate in a range of languages. They need to understand a range of cultures. So we're competing and winning, but that puts an even greater onus on governments to invest in the factors that will allow us to continue to compete.

The University of Waterloo is one of the few universities that Microsoft routinely recruits out of. Bill Gates has come up there. This speaks, again, well to the kinds of investments that need to be made.

In my 2006 budget, we made a \$50-million investment in the Perimeter Institute, something that Mike Lazaridis set up. If you get a chance, I'm sure he'd be delighted to give you a tour, if you haven't already seen it. That's where Stephen Hawking is right now. It's fascinating. We're attracting the best physicists from around the world.

Those are the kinds of investments where I think that government particularly has a role to play, and that's one of the reasons why we continue to emphasize those investments.

**Mr. Peter Tabuns:** Given all of that—and I think there's a lot of logic in what you had to say—my understanding is that we're in 10th place in Canada in terms of spending on students and post-secondary education. How do you square those two realities?

**Hon. Dwight Duncan:** Well, we have the largest denominator—

**Mr. Peter Tabuns:** No, per capita.

**Hon. Dwight Duncan:** Yes, I know. That's what I'm saying. It's the denominator. We also, in absolute terms, spend more. I think what is fair to say is that our universities are among the best in the world, and we just created a number of other spaces. I'm always cautious about those numbers because of the sheer size of our population. It also speaks, by the way, to what I would call the efficiency quotient.

There's more to do, but we have certainly improved that figure. I think the results, in terms of our universities and their place in the world and their place in Canada, speaks well, as well as our community college system.

**The Vice-Chair (Mr. Robert Bailey):** Mr. Tabuns, you have three minutes.

**Mr. Peter Tabuns:** Can I have a copy of your opening remarks from today?

**Hon. Dwight Duncan:** Absolutely.

**Mr. Peter Tabuns:** If they could be circulated to the committee before the next meeting, that would be very useful.

Just finishing up on post-secondary education, when I talk to people—my son, who's a university student, my partner, who teaches at York University—and when I talk to other people who work in the system, what I get consistently is talk about a system in a state of tension, of stress, of an inability to deliver the services that students want and that teachers believe are necessary to be delivered. I understand the argument you make about scale; if you've got 100 students in the room, as opposed to 10, you can have a lower cost for operations. But I think the reality is, when you talk to people who work in the post-secondary system, they are extraordinarily stretched.

If your strategy is predicated on investment in post-secondary education and making us among the smartest in the world, it's not a bad strategy. I don't see how you can justify what appears to me to be an underinvestment in post-secondary education.

**Hon. Dwight Duncan:** I hear the opposite. I meet regularly with the leaders in our post-secondary system. I meet with faculty, I meet with students all the time. My son just completed first year at the University of Windsor, and I hear the opposite.

Agreed, there's more to do. One of the reasons we made the largest investment in post-secondary education in the postwar period through the Reaching Higher plan was that we had fallen quite far behind. But we're seeing innovation, we're seeing success across the province, whether it's in a small regional teaching school or a large institution that spends more on post-doctoral work and research.

So I think there have been tremendous strides. We've heard that repeatedly from across the province. Most recently, in the last budget, we are creating another 22,000 spaces in post-secondary. We have invested huge amounts of money in both the human and physical infrastructure needed in post-secondary institutions. We have new medical schools being built, satellite medical schools, engineering faculties right across the province.

I will acknowledge there's always more to do, but I think we've made good steps forward and really helped the system. Again, I hear that repeatedly from people within the institutions, managers, presidents as well as faculty and students.

**Mr. Peter Tabuns:** Those presidents tell me very different things, I'll tell you that now.

**Hon. Dwight Duncan:** I'll get you the quotes.

**The Vice-Chair (Mr. Robert Bailey):** Thirty minutes is just about up. You've got about 15 seconds.

**Mr. Peter Tabuns:** If I can have a copy of the opening remarks, that would be great. If we could have them before our next meeting, that would be wonderful.

**The Vice-Chair (Mr. Robert Bailey):** Thank you, Mr. Tabuns. I'm going to suggest, with the committee's permission, that we start clean on next Tuesday morning, if that's okay with you, Minister—

**Hon. Dwight Duncan:** Do I get my half-hour rebuttal time?

**The Vice-Chair (Mr. Robert Bailey):** —or Wednesday, next Wednesday. Sorry, we'll be at the plowing match.

**Hon. Dwight Duncan:** Am I not entitled to have my half-hour rebuttal?

**The Vice-Chair (Mr. Robert Bailey):** If that's okay with the committee, and I'm sure it's okay with the minister and his staff.

I'd like to thank the minister, the deputy ministers and all the staff who came today. It was very informative for me, as well.

With that, we'll reconvene on Wednesday afternoon.

*The committee adjourned at 1757.*











## CONTENTS

Wednesday 15 September 2010

|                           |       |
|---------------------------|-------|
| Ministry of Finance ..... | E-153 |
| Hon. Dwight Duncan        |       |
| Mr. Peter Wallace         |       |
| Mr. Steve Orsini          |       |

### STANDING COMMITTEE ON ESTIMATES

#### **Chair / Président**

Mr. Garfield Dunlop (Simcoe North / Simcoe-Nord PC)

#### **Vice-Chair / Vice-Président**

Mr. Robert Bailey (Sarnia–Lambton PC)

Mr. Robert Bailey (Sarnia–Lambton PC)

Mr. Gilles Bisson (Timmins–James Bay / Timmins–Baie James ND)

Mr. Jim Brownell (Stormont–Dundas–South Glengarry L)

Mr. Kim Craiton (Niagara Falls L)

Mr. Bob Delaney (Mississauga–Streetsville L)

Mr. Garfield Dunlop (Simcoe North / Simcoe-Nord PC)

Mrs. Amrit Mangat (Mississauga–Brampton South / Mississauga–Brampton-Sud L)

Mr. Phil McNeely (Ottawa–Orléans L)

Mr. John O'Toole (Durham PC)

#### **Substitutions / Membres remplaçants**

Mr. Bas Balkissoon (Scarborough–Rouge River L)

Mr. Rick Johnson (Haliburton–Kawartha Lakes–Brock L)

Mr. Norm Miller (Parry Sound–Muskoka PC)

Mr. Peter Tabuns (Toronto–Danforth ND)

#### **Also taking part / Autres participants et participantes**

Mr. Norman W. Sterling (Carleton–Mississippi Mills PC)

#### **Clerk / Greffier**

Mr. Douglas Arnott

#### **Staff / Personnel**

Ms. Anne Marzalik, research officer,  
Legislative Research Service



2014  
C 26  
E77

E-10



E-10

ISSN 1181-6465

**Legislative Assembly  
of Ontario**  
Second Session, 39<sup>th</sup> Parliament

**Assemblée législative  
de l'Ontario**  
Deuxième session, 39<sup>e</sup> législature

**Official Report  
of Debates  
(Hansard)**  
Wednesday 22 September 2010

**Journal  
des débats  
(Hansard)**  
Mercredi 22 septembre 2010

**Standing Committee on  
Estimates**  
Ministry of Finance

**Comité permanent des  
budgets des dépenses**  
Ministère des Finances

Chair: Garfield Dunlop  
Clerk: Douglas Arnott

Président : Garfield Dunlop  
Greffier: Douglas Arnott

### **Hansard on the Internet**

Hansard and other documents of the Legislative Assembly can be on your personal computer within hours after each sitting. The address is:

<http://www.ontla.on.ca/>

### **Index inquiries**

Reference to a cumulative index of previous issues may be obtained by calling the Hansard Reporting Service indexing staff at 416-325-7410 or 325-3708.

### **Le Journal des débats sur Internet**

L'adresse pour faire paraître sur votre ordinateur personnel le Journal et d'autres documents de l'Assemblée législative en quelques heures seulement après la séance est :

### **Renseignements sur l'index**

Adressez vos questions portant sur des numéros précédents du Journal des débats au personnel de l'index, qui vous fourniront des références aux pages dans l'index cumulatif, en composant le 416-325-7410 ou le 325-3708.

---

Hansard Reporting and Interpretation Services  
Room 500, West Wing, Legislative Building  
111 Wellesley Street West, Queen's Park  
Toronto ON M7A 1A2  
Telephone 416-325-7400; fax 416-325-7430  
Published by the Legislative Assembly of Ontario



Service du Journal des débats et d'interprétation  
Salle 500, aile ouest, Édifice du Parlement  
111, rue Wellesley ouest, Queen's Park  
Toronto ON M7A 1A2  
Téléphone, 416-325-7400; télécopieur, 416-325-7430  
Publié par l'Assemblée législative de l'Ontario



## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
ESTIMATESCOMITÉ PERMANENT DES  
BUDGETS DES DÉPENSES

Wednesday 22 September 2010

Mercredi 22 septembre 2010

*The committee met at 1557 in room 151.*

## MINISTRY OF FINANCE

**The Chair (Mr. Garfield Dunlop):** We can call the meeting to order. I'd like to welcome the Minister of Finance, all the staff from the Ministry of Finance here this afternoon and all the members of the committee.

We are now resuming consideration of the estimates of the Ministry of Finance, vote 1201. There is a total of six hours and one minute remaining. When the committee adjourned at the last meeting, the minister had completed his opening statement, as had the official opposition and the third party. The minister will now have up to 30 minutes for a reply. After that, the remaining time will be apportioned equally among the three parties.

With that, I recognize the minister and ministry. You have 30 minutes.

**Hon. Dwight Duncan:** I will forgo those 30 minutes and entertain questions from all members. I think that would be a better use of everyone's time.

**The Chair (Mr. Garfield Dunlop):** Okay. With that from the minister, we will move over to the official opposition. Mr. Sterling, you can begin with your 20-minute rotation.

**Mr. Norman W. Sterling:** Mr. Minister, I'd like to go back to the Nortel file and the current dispute between the pensioners' organization and the Ministry of Finance as to what will happen when their plan is turned over to you in the amount of, I think, approximately \$2.5 billion. I've heard there are as many as 18,000 to 20,000 people who would benefit from that; 11,000 to 12,000 here in Ontario and 7,000 or 8,000 in the rest of Canada. I think that the primary concern, of course, in this forum is for the people who are residing in Ontario. But your decisions are with regard to their proposal to create a financial sponsorship model rather than have FSCO, the financial institute body, purchase individual annuities on behalf of the 18,000 or so people, which would affect, in some ways, the people outside of the province more than inside the province, in that the shortfall that they might experience from their existing pension cheques in Ontario will be made up by the pension benefits guarantee fund, whereas those people living in other provinces would not have the luxury of those payments—our province being the only province, as I understand it, that will have that. So in some ways, I'm

pleading not only on behalf of the pensioners in Ontario but the pensioners from across Canada that any drop in the amount of the pension cheque that pensioners will receive will be felt more by those outside of Ontario than inside.

The financial services model, which is an alternate form to the purchase of individual annuities, as I understand it, has been used in Britain with some success, notwithstanding your comments before, which I believe were the comments of someone who contributed to a report that you're relying on. So my first question to you is in that vein. Could you identify the report that you're referring to when you say the financial services model did not work in Britain, the author of that report and the author of the statement that you're referring to?

**Hon. Dwight Duncan:** First of all I need to respond and read you portions of a letter that were released today to the Nortel retirees and the former employees' protection group that deal with a range of the issues with respect to the so-called FSM, the financial sponsorship model, and why we have rejected that. You've raised one of the reasons why we rejected it and we will provide you with that information. I think we're getting it right now, but we will certainly respond to that.

There were a number of points that were involved in our decision. The first: the potential increased risk assumed by pensioners through a high degree of exposure to equity markets. Essentially, what the financial sponsorship model implied is investing in a riskier suite of assets in a plan—and, yes, there is \$2.5 billion in that fund, but it's woefully inadequate to cover the liabilities associated with the fund. The fear of a number of the pensioners who I met with, particularly those who are now covered by the pension benefits guarantee fund, was that increased risk would expose their principal to further erosion. That is the first point.

**Mr. Norman W. Sterling:** Have you quantified that risk, Mr. Minister?

**Hon. Dwight Duncan:** Yes, we have. Well, I shouldn't say that, because we can do it under different assumptions. But that's to the second point in the letter, which is a lack of a detailed offer and term sheet from a financial institution willing to undertake the financial sponsorship and provide retirement security for pension plan members. In the absence of that, we can only look at different models, but that was never forthcoming.

Then there would be the additional risk associated to the PBGF and Ontario taxpayers if the FSM failed. Given the riskier nature of the investments they were proposing to undertake, that is something that has to be considered in the context of the decision.

**Mr. Norman W. Sterling:** I understood that they were willing to negotiate the nature of those investments—

**Hon. Dwight Duncan:** They had no financial institution willing to take on those investments, with respect. We saw letters saying, “We might be interested in this depending on certain circumstances.” We also believe that there would have been requests for financial guarantee by the province in any of that because of the risk associated with taking on a fund that is already considerably underwater and the risk associated with the asset profile that would have to go into it.

**Mr. Norman W. Sterling:** Are you willing to meet, if they bring—

**Hon. Dwight Duncan:** Oh, we’ve met on a number of occasions, going back months. In fact, I’ve met, my senior officials have met, my parliamentary assistants have met. We’ve analyzed it and we’ve come to a conclusion that we’re not prepared to support the FSM model.

**Mr. Norman W. Sterling:** But your conclusion is based upon that there’s not a financial institution willing to take on—

**Hon. Dwight Duncan:** No, it’s not. I can finish reading—there are 10 different reasons why, and I’ll keep going down the list.

“The proposal also assumed that the PBGF grant money would be available to the new fund, but the government made the grant for the purposes of the PBGF. The new fund would not be able to access the money from the PBGF”—that is, the \$250 million we’re putting in is going into the PBGF. We were not prepared to take that money and give it to someone else to run. That proposal assumed that the PBGF money would be taken out of the PBGF and put into their fund.

“Because the company would no longer be funding the pension plan, the fund would, barring federal legislative change, lose its tax-exempt status under the federal Income Tax Act, exposing the fund to significant tax liabilities and undermining the security of future pension payments”—that is, in order to even consider this, quite apart from all the other reasons why we rejected—

**Mr. Norman W. Sterling:** I believe the federal government is willing to help.

**Hon. Dwight Duncan:** They have not said that. They have not communicated that and have not expressed an interest in it.

**Mr. Norman W. Sterling:** And if they did, would that change your view?

**Hon. Dwight Duncan:** No. As I said, and I’ll finish it, there’s a whole range of other reasons why we rejected it. That is one of them.

“Other provinces where Nortel pensioners live would also have to agree to this model. That support, as we understand it, is not forthcoming.

“The model also assumes that future market returns and interest rate changes would be favourable to continuing Nortel plans—and that is a very large assumption that probably implies some form, again, of guarantee by the province to support this.

“There was opposition from Nortel pensioners and former employees, particularly those on long-term disability and with lower incomes.”

**Mr. Norman W. Sterling:** Thirty-seven people.

**Hon. Dwight Duncan:** I don’t agree with that number. I heard from that many people—and more.

We are getting you the information on the UK model and we’ll provide you with that. There’s also the issue of precedent that this would set.

For all of those reasons, we had to decide that, while we’re prepared to put \$250 million in to protect and to fulfill the legal obligations that Ontario had, and in spite of the real challenges a number of pensioners there feel—and they are real, although, I must say, there’s no guarantee that they would be better off under the FSM than they would be under the model that they’re going into. There’s absolutely no guarantee of that. In fact, there’s a considerable risk that they would be in a worse position.

On balance, this is the appropriate response in a difficult set of circumstances. We have decided to put \$250 million in to protect the first \$1,000 of pension income for all Nortel pensioners in Ontario. That’s the only jurisdiction in Canada where that will happen. But we cannot support a plan that would put the \$2.5 billion at further risk and put a lot of pensioners at further risk.

**Mr. Norman W. Sterling:** Since you have just issued this letter today, are you willing to respond to answers or misunderstandings or clarifications to your letter today from the Nortel pensioners?

**Hon. Dwight Duncan:** We have had an ongoing dialogue, again, at the political level, the staff level, the officials level. We have engaged in conversation with a range of advisers within FSCO, within the ministry, and this is the government’s decision.

Again, we have decided to put 250 million taxpayer dollars into the fund to protect the first \$1,000 of pension income. The model that has been proposed does not, in our view, enhance the protection of those Nortel pensioners who have been affected by this.

**Mr. Norman W. Sterling:** Mr. Minister, I understand your position in some ways, in wanting to take the most cautious route that you have been advised, perhaps, to take by your officials. However, we have to remember that this \$2.5 billion is their money and not the government’s money. The \$250 million that you’ve written a cheque for to the pension benefits guarantee fund is a responsibility of the government—to find that money or fund that fund in some way. It’s written in legislation and therefore that responsibility lies upon all of us, regardless of who’s in government at the time, and therefore we’d have to come up with some way of funding that. You’ve already put money previously into that fund in 2004, and I believe in your budget last year you said you were



going to put a further \$500 million in. So you've got about \$650 million—

1610

**Hon. Dwight Duncan:** No, no; it's a total of \$500 million.

**Mr. Norman W. Sterling:** In the last day of the fiscal year 2003-04, you lent the fund \$330 million at zero interest. About two or three years later it was deemed to be a transfer of money of approximately \$150 million, so the total you have actually written to the fund is about \$650 million net. That's a responsibility that you have, but the pensioners are quite convinced that your officials are wrong in their analysis of this.

Would it not be in the best interest of both the government and the pensioners to have some kind of mediation process where you would appoint—maybe you could get Mr. Arthurs to appoint—to evaluate what the real risks are, both in the short term and the long term, for the government and for the individuals, and give, in some way, Mr. Arthurs a role in determining where this issue should go for these people, given that it is their money.

**Hon. Dwight Duncan:** Actually, FSCO is the independent regulator, and the views I'm reflecting are also the views of FSCO. They are arm's length from the government and they are charged with regulating these types of situations. The \$2.5 billion remains their money. We don't touch the money. In fact, an administrator is hired to administer the annuities, and that money is theirs. We don't touch it at all. What we're saying is we will follow the laws and regulations of the province of Ontario has laid down. We looked closely at the FSM model, and we don't concur with them. Our view is backed up by the regulator and by the \$250 million that went into the PBGF for the purposes of protecting Nortel pensioners, and for the reasons I laid out we have rejected the proposal.

**Mr. Norman W. Sterling:** So you're stating today, Mr. Minister, that FSCO believes that the FSM model is too risky? Is that correct?

**Hon. Dwight Duncan:** Well, among other reasons. There are a number of challenges to it, absolutely, but yes, that is one of the key reasons.

**Mr. Norman W. Sterling:** Have they put their opinions in writing?

**Hon. Dwight Duncan:** Yes.

**Mr. Norman W. Sterling:** And have they been shared with the Nortel people?

**Hon. Dwight Duncan:** I sent them a letter today which incorporates FSCO's views. FSCO has met with them on numerous occasions. I'd have to double-check the exact correspondence, but this is the view that's held by FSCO and the government.

**Mr. Norman W. Sterling:** I'm aware that FSCO has no other alternative in legislation but to buy the individual annuities and it might require a legislative change in order to go to an FSM model. I'm aware of that. Are they stating their opinion within their legal framework or are they saying that if legislation was changed that would allow FSM—

**Hon. Dwight Duncan:** They recommend against changing the legislation. They believe that the current regime governing a pension situation like this is appropriate and protects the interests of the plan members and the retirees.

**Mr. Norman W. Sterling:** Would you provide members of the committee with their opinion to you?

**Hon. Dwight Duncan:** I will undertake to get that back to you, yes.

**Mr. Norman W. Sterling:** Thank you very much.

**The Chair (Mr. Garfield Dunlop):** You get about three minutes, Mr. O'Toole.

**Mr. John O'Toole:** Just briefly—I'm not as well informed as Mr. Sterling here, but certainly I'm very familiar with the needs and desires of the General Motors group, mostly the salaried group, under the organization called GenMo. They have three or four quite well-informed individuals whom I'm familiar with, met with and encouraged to work with FSCO and yourself.

What they really wanted is some voice representing the group, because they're non-organized, they're non-unionized, the salaried group. Because of the lack of contractual relationships with General Motors Corp. Canada, they don't have group representation.

Most of the takeaways, both on benefits and pension, have been to the salaried group. The agreement—some sort of dismantling agreement with the CAW—was such that the hourly collective agreement was honoured and there were no takeaways from benefits or meltdowns from the benefits of the fund.

They've asked—and I sent you a letter in writing some time ago—for some position on some advisory board. Whether or not they have voting powers would be something they would probably have to work out. Would you accede to responding to that?

**Hon. Dwight Duncan:** Sure.

**Mr. John O'Toole:** I think it's done in an honourable way, where they've had two or three public meetings. General Motors salaried employees from coast to coast, really—certainly in Ontario, the majority of them were asking for that provision.

From my understanding of it, having worked in personnel for General Motors for a number of years, actually, I wasn't aware of how much risk was involved, but the CAW certainly was. In fact, they negotiated away top-ups—mandatory, legislated top-ups—to the fund being underfunded, whereas the salaried group had no clue about what was actually going on—none, zero. When I found out about it, I was quite surprised, because at that time I had retired on a reduced pension from General Motors, mandated by some 3% per year under the age of 65. I think I was 51, so my pension isn't, how would you say, robust. And if I lost anything, I'd be losing everything.

I would ask that respectfully of you, to undertake to—

**Hon. Dwight Duncan:** John, I apologize. I have not seen your letter. I'm not aware of it.

**Mr. John O'Toole:** I'll resend it.

**Hon. Dwight Duncan:** No, no, I'm sure we'll have it. Let me follow up on it.

I will say this: What we went through with General Motors and Chrysler, working co-operatively with the federal government, helped, I think, preserve an industry. Considerable concessions were agreed to by the CAW—in fact, they had to ratify three separate collective agreements within I think 90 days—that cut both wages and benefits for organized workers. But you raise a valid concern. I'll undertake to follow up and get back to you—

**Mr. John O'Toole:** Just one last comment, if I may—just a summary comment, with your indulgence. It's my understanding that General Motors Corp. owes \$27 billion to its liability, and we haven't heard the last of this yet.

**The Chair (Mr. Garfield Dunlop):** Thank you very much, Mr. O'Toole. We'll go down to the third party. Mr. Tabuns.

**Mr. Peter Tabuns:** Mr. Minister, I have two of my constituents here in the room today, Barbara Stewart-Fischer and Carol Sweeney, who are residents at the St. Joseph's seniors' home in my riding.

Minister, my sense is that you do a lot of constituency work, and you may well have the same experience as me. As I go to seniors' buildings in my riding, talking to people, I'm finding increasingly that those who are trying to make a go of it, paying non-rent-geared-to-income rents, are finding that rising costs, and pensions that aren't keeping up with those rising costs, are putting them in a squeeze—a very tough squeeze. They say to me that they feel the provincial government should be in a position to in some ways assist them with rent supplements.

There are two questions or requests that I have for you. First, there is a program called ROOF. It's a residential rental supplement program that your government operates. It is underspent significantly in the most recent reporting period. When that program came out, it was criticized by housing providers for not including seniors as a category that would be eligible for its \$100-a-month rental supplement. Would you consider changing the rules so that seniors in your constituency and mine and across Ontario would be in a position to access those funds to deal with their affordability problems?

1620

**Hon. Dwight Duncan:** I apologize. Is this in a retirement home, a long-term-care facility—

**Mr. Peter Tabuns:** Non-profit housing for seniors.

**Hon. Dwight Duncan:** Non-profit housing for seniors. So there's already an implicit subsidy there.

**Mr. Peter Tabuns:** There has been; that's correct.

**Hon. Dwight Duncan:** Yeah, there are.

I can't give you that undertaking. The cost associated with that would be quite large. I think you raise some valid points around the adequacy of pension income and what I prefer to call post-retirement income, because some 70% of us don't have a pension.

**Mr. Peter Tabuns:** That's right.

**Hon. Dwight Duncan:** That is why we have undertaken a number of initiatives. The first is the reform of our pension laws here in Ontario, which really doesn't deal with the broader question, and that is the question of income adequacy apart from pensions. That is why we have been leading, at the national level, this discussion about reform of the Canada pension plan.

The income supplements that are most important I think to people like your constituents are the OAS, old age security, and the guaranteed income supplement. Those are designed for people of more modest incomes. Peter, I know you're very familiar with all of these things. Those programs are designed specifically to assist people of more modest incomes, and when I say "more modest incomes," a large percentage of Ontarians qualify for OAS, not GIS.

The Canadian Labour Congress, for instance, has advocated doubling OAS payments over the coming years, but the province does not. The cost associated with what you're talking about would be enormous and would likely affect a whole range of other programs.

I couldn't give you that undertaking today. The undertaking I will give you, and I will give your constituents, as I give mine, is that we have to continue to move aggressively on the question of post-retirement income.

I'll give you a for-instance. Both my mother and father spent the last five years of their lives in complex continuing care, which is part of the public health system. Their copays were \$4,000 a month. I lost both of them two years ago. They lived to a good age, not in good health the last four or five years—otherwise, they wouldn't have been there—but that depleted their entire life savings. My parents weren't wealthy individuals—very modest backgrounds, modest incomes. That, for me, was the first really direct lesson.

In addition to what we paid in copays—and arguably they were among the most fortunate because they were in a complex continuing care facility, which is part of our hospital system. In addition to that, there were other expenses every month, things that you and I might take for granted: two-ply toilet paper, full-sized Kleenex; a whole range of these things.

So, I think there is a problem. It's here now. Unfortunately, we didn't address these things, in my view, adequately 10 or 15 years ago, although I must say that the Canada pension plan was put on a solid financial footing in 1998. This is why I believe there's a real problem coming at us. It's here, to some extent. It's probably reflected in the struggles your constituents have. I see it with my constituents as well, but I couldn't give you that kind of undertaking right now. I do think it's part of the longer-term discussion about post-retirement income and income adequacy as we move forward.

**Mr. Peter Tabuns:** I appreciate the answer. I want to go back to the issue. When I talk to those seniors, not just at St. Joseph's but at Broadview Manor, Greenwood Towers, Frances Beavis Manor—frankly, Minister, if you talk to seniors in any non-profit building in Ontario, you'd probably have a similar discussion. They find two



things that press on them, and that's the stress of pulling things together so they can make ends meet, and just simply on a day-to-day basis making sure that they're well fed and well looked after.

In terms of avoiding longer-term health care costs, to the extent that seniors are able to live independently, eat well and get good social supports we avoid the early onset of more complex and costly housing and services for them.

So I'd come back to you and say I understand the argument you're making. What I would ask you to do is look at the cost avoidance that would come from making sure that independent seniors are given a better income break, either through better pensions or rent supplements, so that their health is maintained at as high a level as possible for as long as possible. You may find that there's a trade-off in terms of cost to government as a whole that would lead you to believe that it's advantageous—let's set aside any other consideration—to actually increase the funding now for those seniors.

**Hon. Dwight Duncan:** Well, we have through our aging-at-home strategy and a number of other—we've increased the budgets for community care access centres. There's a range of programs. In fact, the rate of growth in those programs has been quite high. I don't have the specific figures in front of me.

I agree with the premise of what you're saying, that those investments that help keep people living independently do have a cost-benefit return—most importantly to them. It helps them stay at home and hopefully lead as high a quality of life as they can. But before we could give an undertaking around addition—because, again, in not-for-profit homes there's already a built-in subsidy—we need to identify the total cost and we need to understand what the impact of that is on the budget and what the return would be.

We've chosen our aging-at-home strategy. We've chosen to enhance funding for community care access centres—because that goes to the entire population. There are many seniors who don't have the benefit of not-for-profit housing, who are struggling to stay in their own homes, and that's one of the reasons we have the seniors' property tax credit.

So there's a range of tax supports and other programs in place.

Again, to your specific question, no, I could not agree to what you're suggesting now because I think what we're absolutely obligated to do is to identify the cost associated with any of those program expansions, compare it to other choices—for instance, an enhancement to the aging-at-home strategy; an enhancement to the CCACs—and then understanding the impact that has on our financial statements, because it has to be paid for.

Is there a cost benefit? Yes there certainly is an economic cost benefit. The challenge we have to always be cognizant of is matching when the returns come in against when the expenditure goes out, because, unfortunately, when we go to China to borrow money, they don't look at the other side of it. And we're borrowing—

we have a \$40-billion borrowing program this year and \$19.3 billion of that related to this year's deficit.

I will not disagree with you in terms of the objective, the ideal—and through our investments in the aging-at-home strategy and a range of other good programs and services that we have, including not-for-profit housing, which has an implicit government subsidy, we've done that.

**Mr. Peter Tabuns:** If you can't make a commitment to actually make a financial shift at this point—and I'll say again, there's an amount that's been allocated and I think you could look at changing the rules within that allocation of \$185 million to provide at least an opening for seniors, as housing advocates have put forward—could I ask your department, then, to look at the cost-benefit analysis of reducing longer-term health care costs tomorrow by investing in seniors' health and well-being today?

**Hon. Dwight Duncan:** I'm not disagreeing. If there's an underspend in a program like you've pointed out—you've got a number—you can put it right back into consolidated revenue to help reduce your borrowing, or alternatively you could invest it in any range of programs or services, including a range of programs and services for senior citizens. We could choose, for instance, to put that into the aging-at-home strategy. We could choose to put that into any number of other very worthwhile programs or services.

1630

We have, as you know, in the program you've identified, adjusted it because there wasn't good take-up initially. In fact, we were surprised at how little take-up of the program there was, so we looked at the criteria. I haven't looked at the most recent numbers for that program, so I don't know if those criteria changes that we put into place a year or so ago have yielded more take-up of the program. I don't know if any of my officials are aware of that. But we did look at the criteria when the program was set up, and we were surprised at the lack of take-up—not unlike, by the way, Second Career when we set that up. Any time you do something that hasn't been done before, you're trying to use your best judgment to determine what the take-up will be. As it turned out, the initial criteria that we put in place for Second Career were too restrictive, so we looked at them, we revised them, and we dealt with the problem.

As to the specific program you're referencing, I will undertake to get back to you to see if any of that's changed as a result of the program changes we made and provide you with that information.

Again, I have to tell you, and I have to keep saying, that if there's an underspend, whether it's in that program or any other range of programs, you have to look carefully at how you reallocate those resources. Whether you want to reduce the amount you're going to borrow this year by that as a result, whether you take those funds and put them into another program—aging at home, whatever that happens to be—that's a matter of looking at a whole range of priorities.

I should also point out that one thing you learn as you delve into the numbers and have the privilege that I've had of serving in this position as long as I have is that, in addition to those under-spent programs in every ministry, there are programs that have large what we call risks; that is, there's been more demand than we thought and we're moving towards an over-spend.

So it is appealing to look at something like that and say, "Well, take the money and move it over here," because it makes sense—you make a logical argument. But I'd have to look more carefully at the estimates—I'll invite you to do this—and our own internal numbers. In virtually every ministry of government, there are pressures that we call risks to the fiscal plan, and we do get under-spends in some programs, so it's a complex picture. You don't do that until you're certain, with respect to kind of what the aggregate numbers are on your over-spends and under-spends, first by ministry and then from the overall perspective.

**Mr. Peter Tabuns:** I understand your argument. I know, when I go back and talk with them, the argument they make to me. It's also a very logical one, and that's that they built the country that we live in. Their work over decades allowed us to live the kind of lives that we live. Allowing them to lead a life not of luxury but a life where they don't spend all their time looking for the cheapest food they can get, where their lives are not dictated simply by what's on sale, but occasionally by what they'd like to buy—so I understand your argument. I think they make a very powerful and compelling one as well, and one that I think increasingly we're going to have to listen to.

I want to move on to another question, and that's to do with—

**The Chair (Mr. Garfield Dunlop):** You have about four minutes on this round, Mr. Tabuns.

**Mr. Peter Tabuns:** Are you keeping good time, Mr. Chair? You're moving me through awful fast.

**The Chair (Mr. Garfield Dunlop):** I keep time, yes.

**Mr. Peter Tabuns:** If I only have four minutes, then I might go to a different question.

The agreement with the federal government, under HST exemptions, provided the total value of the exemptions is under 5% of the GST base—according to page 156 of the Ontario budget, the government's exemptions total about \$600 million. How much room is left under the 5% cap for further exemptions?

**Hon. Dwight Duncan:** I'm going to have to get back to you on that, because we had a very significant change to that in June when we agreed to the First Nations' point-of-sale exemption. I don't believe we've even got the final calculation on that yet—but it does bring us very close to the 5% mark. Allow me to get back to you. We have to wait for the federal government to tell us, I think, what that is. We have not got that number back yet, but it does get us very, very close to the 5% mark. That turned out to be a fairly expensive proposition.

**Mr. Peter Tabuns:** What was the total value of the 5%, then? You had had exemptions of \$600 million.

You've made a further agreement with First Nations. Now you're saying you're very close to the limit. What was the total value of that 5%?

**Hon. Dwight Duncan:** I'm going to turn that over to Greg to give you the answer to that.

**Mr. Greg Orensak:** I'm going to ask Steve Orsini, who's the associate deputy minister of the Office of the Budget, Taxation and Pensions, to help us with that.

**The Chair (Mr. Garfield Dunlop):** Both of you state your names, please. Thanks.

**Mr. Greg Orensak:** Sorry. I'm Greg Orensak. I'm the Acting Deputy Minister of Finance this week and otherwise the assistant deputy minister of the fiscal strategy and coordination division.

**Mr. Steve Orsini:** I'm Steve Orsini, associate deputy minister of the office of taxation and pensions.

Just let me elaborate a bit more in terms of the structure that the province had negotiated with the federal government on point-of-sale flexibility.

Previously there was, as part of the Atlantic provinces—their ability to provide point-of-sale exemption was non-existent. The federal government relaxed their rules as part of the negotiations with them on the HST and provided those provinces that are signing on to the CITC agreement 5% of the GST base. It's not the Ontario portion of the HST; it's really the federal base.

One of the things that the federal government, in terms of their policy direction—they wanted to grant policy flexibility to provinces and provide them relief, but because of the administrative complexity, because of the precedent it sets for other provinces, they put some parameters around it—for example, the 5% limit.

Then there's also the issue that it has to be capable of being simply administered so that it wasn't too cumbersome in terms of the ability of the CRA to administer and of businesses to comply, and there's a number of those criteria.

It's one that the federal government, at the end of the day, can adjudicate in terms of whether or not it meets their amount. That's one that is negotiated with the federal government in terms of that precise number. We haven't arrived at that precise number. The sense that the minister referred to is a recent point-of-sale exemption for First Nations. It's one that, often, when the province decides to move on a point-of-sale exemption, what happens is that Statistics Canada has to confirm those numbers, and there's a bit of a period of time when these numbers have to settle down and be confirmed.

The numbers we released in the budget are our best estimates. Some of these—the one for First Nations is going to be an actual amount that will determine the actual cost of that point-of-sale exemption.

All of that is to say it's still in a state of play and we don't have that definitive number at this point.

**The Chair (Mr. Garfield Dunlop):** Thank you very much.

**Mr. Peter Tabuns:** I'm going to come back to this question when it comes back to me.

**The Chair (Mr. Garfield Dunlop):** Sure.



Thank you very much. We'll now go to the government members. You have 20 minutes. Mr. Brownell.

**Mr. Jim Brownell:** Thank you, Mr. Chair, and certainly thank you, Minister, for coming before us and giving us this opportunity to hear your words and perhaps to reflect on—since your last time here, and look to the future.

I'd like to turn to poverty reduction. I'd like to make a few comments about back home and then ask a couple of questions.

With regard to poverty reduction, I certainly have had a number of opportunities back home to work with the folks who are working on poverty reduction: Judy Dancause, at the Agapè Centre, our local food bank, food kitchen and resource centre—she's doing a remarkable job there, and I commend her; and also Michelle Gratton. She is the executive director of the Social Development Council of Cornwall and area. I've met with them many, many times, even at the food bank with Judy Dancause and the Agapè Centre. I've done some volunteer work there so I've seen right first-hand some of the work that they've done.

**1640**

But they're always concerned and always telling me that there are more challenges and they continue to have challenges and whatnot. They're very excited that the government is looking at poverty reduction with a strategy and the work to implement a strategy.

They're also concerned about the possibility, and they've directed this to me—not only these two folks, but others in the riding have commented that in this current global financial situation, they're concerned that poverty reduction will be at the bottom of the list when it comes to supports in the future. I try to reassure them that, no, we're speaking here at Queen's Park and certainly interested in moving on with the strategy and whatnot.

So I'd like to find out what has been done and how things are moving on with regard to poverty reduction, and also to look at that global economic situation that we're in right now and what impact that might have on supports to poverty reduction strategies in the future.

**Hon. Dwight Duncan:** Jim, as you know, we've undertaken a number of initiatives. I'll put this in the context of the last seven years.

First of all, we've raised the minimum wage quite dramatically. The minimum wage was frozen for a number of years prior to our coming to office, which essentially cost people working with very modest incomes a significant reduction in quality of life resulting from that policy.

We have raised social assistance benefits. We've done that, I believe, in each year that we've been in government. I'd want to just double-check that for you, but we have. They've been modest increases designed to keep up with the cost of living. As you know, they had been cut 22% and frozen for a period of years prior to our coming to office.

In addition, we set up a poverty strategy group that was chaired by the now Minister of Health, Deb Matthews, which looked at a whole range of issues, including how we measure poverty, because that's the subject of great debate. How do we quantify success? How do we start to measure, and what are the measures associated with that?

The work we did, I think, is among the most progressive work in the world. It's been hailed by anti-poverty groups. It's been applauded across a range of jurisdictions. That is still a work in progress as we move on.

We've done a number of things on the tax side. The Ontario child benefit, for instance, was a massive tax cut for the poorest among us. It puts money back in their pockets; I believe it's \$1.7 billion per annum. It was an enormous tax cut, and that, by the way, on top of the tax cut that we've provided to the first income tax bracket for those people, again, who are working with very modest means. So we've taken a number of steps along those lines.

The world economic downturn impacts—it has impacted everybody in the world. Unemployment has gone up. It makes it challenging to meet goals, but we've set goals. It'll make it difficult to achieve those targets simply because of what's happened in the world economy, but that does not remove the obligation from all of us to continue to work to reduce the impacts of poverty, to make measurable progress across the determinants that we laid out in our anti-poverty strategy. So we have provided a range of supports: tax cuts, income supports, investments in everything from breakfast programs through to after-school programs, full-day learning for kindergarten—a \$1.5-billion investment. That will help families that struggle with the cost of child care. It will help a mother, particularly a single mom, get back to work when she wants to get back to work if she knows she's got a quality, full-day program. So that's all part of it.

There is no doubt that the last two years have been a huge setback. A large number of Ontarians lost their jobs. Even though we've regained, I think, 85% of them, there's still a large number of people who lost their jobs. Other people have seen their incomes cut. I can think of people who may not have lost their jobs, but they're not getting overtime—the waitress in a restaurant who's not seeing as many customers paying as big a tip.

We have more to do, but I believe that we're the first government in Ontario to lay out a strategy, lay out benchmarks, lay out goals, and then markers by which we can judge so that if we're successful in some areas, we know what we did right; if we don't succeed in some areas, we look at what we've done and see if we can do it again and what we can do differently to make whatever that investment or that initiative was work better.

**Mr. Jim Brownell:** Good. Thank you for your message there. I do know that the folks back home, Judy Dancause at the Agapè and Michelle Gratton, work very hard with the social development council. They certainly

are gratified that there are goals—and achievable goals, but they and some of the others who work with them have always said that with the downturn, they were frustrated when some were saying that there might be a reflection in other areas that would put it at the bottom. That helps me.

I'm going to be changing the subject now to the HST—

*Interjection.*

**Mr. Jim Brownell:** Sure, okay. I'll move it to my good colleague from Lambton—

**Mrs. Maria Van Bommel:** Lambton—Kent—Middlesex.

I just want to ask the minister about something that came up yesterday when I was at the plowing match. I had the opportunity to talk to a number of farmers there. Many of them, of course, really understand how they're benefiting from the HST, what it's doing for their business and things that they're able to claim that they hadn't been able to in the past. But one of the things that they're not quite aware of is how the HST is actually part of a bigger and more comprehensive tax package, which would benefit not only their businesses but other businesses, how it involves economic growth for their communities and for their sector, and also how it would impact and benefit Ontarians and Ontario families. Could you explain a little bit further what the comprehensive package is, and not just that part of the HST but that entire package?

**Hon. Dwight Duncan:** Absolutely. We were gratified by the support we had from rural Ontario on the HST. They were a leading proponent because I think they understood the value of it to the farming community. We'll continue to work with our rural and farming communities to ensure that, as we move forward, they benefit from this.

The HST, as you know, Maria, was actually part of a broader tax reform package—some \$10 billion in personal tax cuts. We also have a range of corporate tax cuts, many of which will benefit the farming community. The order of magnitude of the cuts in other areas is designed to help the family farm by reducing their corporate taxes, their personal taxes where they apply—and, also, of course, they'll get the input tax credits, which are very important to the farming community as well.

For instance, one of my assistants handed me a letter here from 44 top economists in the province, all endorsing this package as being the right package to stimulate future growth in the Ontario economy and in rural Ontario. I think that's why the OFA supported what we were doing and have urged their members to see the whole package.

1650

You've got corporate tax cuts, you've got personal tax cuts—farmers will benefit from that—and input tax credits totalling billions of dollars. The savings associated with the inputs a farmer would buy, in and of themselves, quite apart from the corporate tax cuts, the personal tax cuts, are substantial. One of the reasons we

moved forward the way we did is because of the benefit to rural Ontario. I think that's why you were getting the response you were getting. You are certainly more in touch with the farming community on a daily basis than I am. I think even in your own family farm business you and Rene have probably figured out where the benefit accrues. I know that more and more people are looking at that carefully and giving serious thought to the arguments we've put forward.

For instance, if you're a small farmer and you get charged a small business rate, you're getting almost a 20% reduction in the rate, from 5.5% to 4.5%. If you're a large farm and you're paying the corporate rate, your tax is going to go from 14% to 10% over the next three years. In the food processing end of it, if you're a manufacturer, your tax has already gone this year from 12% to 10%. Again, that's a very significant cut in your corporate taxes.

The final point, on the personal income side, is: If you're a farmer of very modest income, like all Ontarians you're now going to be paying the lowest rate on the first bracket to \$37,000, and, in addition, dealing with the concerns of people of more modest means, the most generous sales tax credit in the country.

It is part of a broader tax package that has been endorsed, first of all, by the federal Conservative government. It has been endorsed by the Ontario Chamber of Commerce, 44 top economists in the province—a whole range. The Ontario Federation of Agriculture has endorsed it. It is a difficult policy, and it is one that you've got to explain carefully to people.

We can no longer avoid the question of how to make our tax system competitive. We simply could not ignore that. We would do so at our peril. In fact, I think the IMF today released a study recommending that the USA adopt a value-added tax. I can't envision that happening any time soon, but they talked again about the importance of reducing taxes on income and investment. Farmers make huge investments in their farms, whether on the land itself or the machinery and equipment that goes with it, and also reducing taxes on income in exchange for a tax on consumption. That's why 140 jurisdictions around the world have this.

I think it's important for governments to show leadership and to say, "Look, we want to get to a better, more productive economy." The way to do that, whether you're dealing with a more competitive tax system or you're making billions of dollars in investments in new energy, new energy systems, so that we no longer ever, ever again have to put diesel generators in downtown Toronto just to make sure we can keep the lights on, is to have an honest discussion about that. I think that those kinds of investments, and investments in education, are all about building a better Ontario for our kids, a more prosperous Ontario and, to your specific point, better opportunity for our rural and farming communities and farmers, particularly, to do better in a more competitive tax environment.

**Mrs. Maria Van Bommel:** Thank you.



**The Chair (Mr. Garfield Dunlop):** You've got about another five minutes.

**Mr. Bob Delaney:** Thank you, Chair. That's exactly what I was going to ask you, so you've already started off answering that.

Minister, as I suppose nobody has to be told these days, after going through the recession, there are a lot of people out there who are a little cranky and frustrated. One of the things they're cranky and frustrated about is that they're not entirely sure who to be cranky and frustrated at. They've seen the banking system totter and financial institutions that used to be considered pillars of that industry simply collapse in more than one country.

A lot of people say, "I know it didn't happen here but, nonetheless, I'm still upset." The upset may mean anything from "My career hasn't progressed fast enough" to "I lost my job," or "My neighbour lost his job," or "My kid hasn't found his first job," or "My company isn't expanding." Even as we look at Ontario's progress out of the global economic recession, and, as you said earlier, we have the privilege of having an inside look, we do have to speak to some of Ontario's families, individuals, students and seniors, and talk to them and take some esoteric points and speak to them in layman's language.

In that vein, I'd like to ask you to provide us some more details as to what exactly is the Global Risk Institute in Financial Services.

**Hon. Dwight Duncan:** It will be a world-leading educational tool here in Toronto, which is the third-largest financial centre in North America, designed to promote collaboration between university researchers, regulators and practitioners in fields such as finance, economics, accounting, math, law, actuarial science and management. It'll help us build or provide additional infrastructure for what is, I think, the fastest-growing part of our economy—financial services.

To your point, Canada's reputation was enhanced in the last downturn as a result of the strength of our banking system, the regulatory regime that was put in place about 10 years ago by the government of the day in Ottawa, resisting the temptation to go down the deregulated route of the United States.

I wanted to address your preamble a little bit. The last two years have been very difficult for people. Whether you lost your job, as a lot of people did, or even if you didn't, you became more nervous about your job, and people feel that. It touches them very directly.

Tens of thousands of us saw our savings, our RSPs get really hammered—some people, 50%, 60%—in the span of a number of weeks. Even though that has recovered, I think the impact of what we all lived through stays with you and changes your perspective. It causes you to reflect on what your priorities should be and where you need to go. But it gives us an opportunity to make investments, like we did in the Global Risk Management Institute, in order to ensure that those parts of the economy that are growing can grow more. I was glad we partnered with the federal government on that. We put in \$10 million; the federal government put in \$10 million. That is precisely

why we need to make investments in education, whether it's full-day learning or post-secondary education, whether it's Second Career, which is skill sets for people who have lost their jobs, to help give that greater certainty back to people.

That's why we have to make decisions around a more competitive tax environment. It's all about building a better and stronger economy in the future. Just as the Premier often says, every generation of Ontarians, going back to the pioneers who cleared the land, have had to make sacrifices in order to build this province. The challenges we find today are as real, albeit in different ways, as the challenges that our parents found in the pre- and postwar period, as those pioneers found. It's important to take a leadership position and it's important to, in my view, make investments like the Global Risk Institute so that Toronto can hopefully some day be, if not the third leading financial centre in North America, the second.

My predecessor, Janet Ecker, who is the head of the Toronto Financial Services Alliance, believes that is a very realistic goal. We're 12th worldwide now. There's no reason why we couldn't be in the top 10 and even higher.

1700

So these kinds of investments, I believe, are important not just in terms of the longer-term growth of an important sector of the economy but also in helping to restore confidence and give people a greater sense of security as we move forward in the coming years.

**The Chair (Mr. Garfield Dunlop):** Now we'll go to Mr. Miller of the official opposition.

**Mr. Norm Miller:** Minister, I'd like to start by asking about your forecasting. During the first round of questions, I asked you about inconsistencies in your deficit forecasts, pointing out that in the past year the figures changed several times. Pretty much every quarter, the deficit numbers changed. You explained that forecasts are difficult. Yet you're forecasting a balanced budget not one or two years out, but seven or eight years out: 2017-18. Given your track record, why should Ontarians believe that forecast?

**Hon. Dwight Duncan:** I remind you that three years ago we had an unanticipated surplus of some \$7 billion, and we invested that in municipalities and a range of other areas.

Forecasting is, by its very nature—in fact, TD Bank today came out and revised their projections for next year, as they do on a quarterly basis as new information becomes available. The economy is dynamic. It's constantly moving, constantly evolving. In periods like we've been through in the last two and a half years, it has been particularly volatile.

I remember Prime Minister Harper saying on November 14, 2008, that they would continue to balance their budget for years and years ahead. We had already done the responsible thing and announced that there was, in fact, going to be a deficit. Within weeks, of course, the Prime Minister had to retract that, and they went on to have the largest deficit in Canadian history.

The point I'm making there is that forecasting is a difficult business. It's particularly difficult in a volatile economy.

You'll see, as we move forward, that we will continue to adjust—we do it on a quarterly basis—and report on that, and people will judge us accordingly.

**Mr. Norm Miller:** You had some huge, huge changes in the last year. I think you definitely set a record for numbers changing, and I went through those last time.

I note that in his article in the *Globe* today Jeffrey Simpson says, "Never, ever believe fiscal predictions seven fiscal years from now. They are jokes at best, deceptions at worst."

His article states: "The Fiscal Drag in Ontario is Bad—Why Won't Our Politicians Say So?"

He says the following:

"An unsettling post-recession disconnect has settled over Ontario politics...."

"The disconnect lies between the doleful fiscal situation of Canada's largest province and the apparent unwillingness of Premier Dalton McGuinty, or any of the province's politicians for that matter, to talk seriously about that situation.

"Instead, the Premier has spent the past few months announcing new, long-term and costly spending policies, as if the \$20-billion deficit hole in which Ontario finds itself either does not exist or will disappear when economic growth returns.

"The \$20-billion deficit for 2010-11 follows on a slightly larger hole for last year, and precedes what is predicted to be a \$17-billion one in 2011-12, another \$16-billion one in 2012-13...."

That's where he says, "Lesson one in reading budgets: Never, ever believe fiscal predictions seven fiscal years from now. They are jokes at best, deceptions at worst. When Mr. McGuinty's government predicts a balanced budget in 2017-18, it is literally fooling itself and the voters."

How do you respond to that? It's not me; it's Jeffrey Simpson of the *Globe* and Mail.

**Hon. Dwight Duncan:** I think he's wrong. I think Jeff Simpson is really wrong, and I think that column was dumb. I think it betrayed a stunning lack of understanding of the fiscal challenges facing provinces.

Let me tell you what the C.D. Howe Institute says about our accuracy. This is from their document Canada's 2010 Fiscal Accountability Rankings. In the recent report published by the C.D. Howe Institute, Ontario received an above-average score in bias and accuracy indicators for its revenues and expense forecasts in comparison to the federal government and other provincial and territorial governments.

I think Mr. Simpson doesn't get it, and I think he doesn't tell his readers the truth, and I think he takes positions that he can't defend. On the one hand, he talked about the HST being a defensible policy, and then, two paragraphs later, he talks about a whole range of other things that benefit from it as not benefiting from it. You get people like that; you get columns like that. I prefer to

rely on organizations like the C.D. Howe Institute. I will point out that not only in the first year of our plan we exceeded our target, which conveniently was ignored by Mr. Simpson.

I think he makes some valid points. He pointed out that your leader and your party haven't said what they would do and haven't addressed tough issues. I concede that. I would also not—

**Mr. Norm Miller:** He goes on to respond—

**Hon. Dwight Duncan:** You can read it into the record. I'm sure everybody at home saw it in the *Globe* this morning who wanted to see it. But he also pointed out—

**Mr. Norm Miller:** But he goes on to say, "The prediction is foolish because it rests on too many imponderables." The one good point he makes—

**Hon. Dwight Duncan:** If you look at his record on predictions, every year—

**The Chair (Mr. Garfield Dunlop):** One at a time.

**Hon. Dwight Duncan:** Every year he writes a column telling you why he got it all wrong. You know what? One column here, one column there: I'm not going to do that. What we're focused on is getting Ontario back to a balanced budget. We've laid out a plan. We're not going to close hospitals and schools the way you would.

**Mr. Norm Miller:** Minister—

**Hon. Dwight Duncan:** Well, I shouldn't say that; we don't know what you're going to do.

**Mr. Norm Miller:** If he'd let me ask a question—

**Hon. Dwight Duncan:** Rather than just read one column—

**Mr. Norm Miller:** What I'd like to ask you is this.

**Hon. Dwight Duncan:** —read the C.D. Howe Institute. Read other documents and look at what we achieved in the first—

**Mr. Norm Miller:** If you'd let me ask the question, what I'd like to ask you is this: Your plan counts on health care costs going up 3% a year, which has never been achieved. How can we believe that plan? What are you going to do to achieve that 3% increase?

**Hon. Dwight Duncan:** We took \$750 million out of pharmacy this year. You stood up for big pharmacy. We stood up for consumers. It is a challenging goal; there's no question. Quebec today had to back down on their health user charge. There's no question that health care costs are going up. We have achieved our budget projections in the past on health care. We've had to adjust. There are some years we've missed them, but you know what? What's important is to lay out a plan, which we've done. We've laid out the numbers. We accept criticism. We accept challenge. I'd like to see your plan. Are you going to close another 28 hospitals?

**Mr. Norm Miller:** Moving on from that, you're talking about—

**The Chair (Mr. Garfield Dunlop):** Next question, Mr. Miller.

**Mr. Norm Miller:** —the success you've achieved in maintaining expenses. I note that in the public accounts you talked about "create efficiencies in our own operations" in your opening statement, and you talked



about the fact that you're making savings. You just mentioned \$800 million. So I look at the public accounts and I see the budget for programs in 2009-10—\$106 billion—and yet you spent \$400 million more than that \$106 billion. Can you tell me where the savings are that you found if you spent \$400 million more than you planned in your budget at the beginning of the year?

**Hon. Dwight Duncan:** When you are within two tenths of 1% on your numbers in your expense projections on a \$110-billion budget, you're going to have variance. I think what's important—

**Mr. Norm Miller:** But I'm asking you, if I might—

**Hon. Dwight Duncan:** Because you've asked me a specific question, I'll try to give you as good an answer as I can. We made a number of decisions in the context of the downturn in the global economy, including large investments in infrastructure, which the federal government did and other provincial governments did. We've made a number of strategic long-term choices that are designed to enhance economic stability and growth in the economy over time. As I say, the budget target for the first year on deficit reduction was overachieved and, over time, we will see that, I believe, continue to bear fruit.

Are there difficult challenges? If you read the budget, you'll find that we acknowledge that. The 3% on health care is a big challenge, no question about it. I can't deny that. But we remain convinced that we can do it.

I think the best example was the pharmacy moves we took earlier this year that were designed to help us save money there, but there will no doubt be additional pressures moving forward on the health care file.

**Mr. Norm Miller:** So what specific savings have you found? We had the meltdown in October 2008. What savings have you found?

1710

**Hon. Dwight Duncan:** Since October of 2008? What do you mean by "savings"? Our spending has gone up. We invested in infrastructure. Absolutely.

**Mr. Norm Miller:** Any talk about efficiencies? I would like to know—

**Hon. Dwight Duncan:** Yeah, I'll give you an entire list of those. We'll break that out, and I'll report that back to the committee.

**Mr. Norm Miller:** Could you tell me what the total amount is of those?

**Hon. Dwight Duncan:** There's a billion dollars, I think you'll see in the earlier years, but every year you'll see a line in the budget around that. I'll give you a breakdown of those.

**Mr. Norm Miller:** I've seen the line in the budget; I've just not actually seen—

**Hon. Dwight Duncan:** I'll get you the list. For instance, we froze MPPs' pay. For instance, we've cut travel budgets. We've cut consultants' budgets down from where your government left them. I'll get those numbers for you as well. But we've taken a range of steps like that, and I'll get you the details.

**Mr. Norm Miller:** If you're looking at trying to deal with the \$20-billion deficit that you face and faced last

year and goes on for many years through to at least 2017-18, if we're taking your plan at face value, about half the budget is wages, and you've announced in this year's budget a plan to have a two-year pay freeze for unionized workers. So far, it doesn't seem like those talks are going very well with the unions. What happens if you don't achieve success in that two-year freeze? Do you have a Plan B?

**Hon. Dwight Duncan:** First of all, we have legislated on non-bargained unit employees across the public and broader public sectors. Second of all, we've achieved a number of agreements now, since the budget announcement, that achieve a net zero and zero. There have been a number of them settled that do not achieve that. We continue to talk with our partners in the public and broader public sector and will continue that course of action.

We believe that working together is the right way to go. We saw what happened when 26 million school days were lost in this province before. We think that people of goodwill can work together to find solutions and challenges. As I say, we will continue those discussions; they're ongoing. I believe they met today as well. But what we have said is that transfers to transfer agencies will not cover anything above zero and zero. That policy is in effect and going on now.

**Mr. Norm Miller:** So that's the transfer agencies. What about the general public service?

**Hon. Dwight Duncan:** We're not going to raise budgets to reflect anything above zero and zero.

**Mr. Norm Miller:** So if a union does negotiate a 1% or 2% increase in wages over the next couple of years, there will be savings somewhere else or cuts in service?

**Hon. Dwight Duncan:** There would have to be, yes.

**Mr. Norm Miller:** And while I think of it, Mr. Chair, Mr. Sterling asked me to ask that the clerk get a copy of the letter from the Minister of Finance to the Nortel pensioners.

**The Chair (Mr. Garfield Dunlop):** I think we've asked for that, yes.

**Mr. Norm Miller:** If I can please make that request. I think that Mr. O'Toole was jumping the bit, wanted to ask a question here.

**Mr. John O'Toole:** Well, I'm just following up—

**The Chair (Mr. Garfield Dunlop):** You have seven minutes, Mr. O'Toole.

**Mr. John O'Toole:** Yes, thank you very much.

Just in following up, I thought the article by Jeffrey Simpson was worth reporting, as Mr. Miller has done. But also, David Dodge said back in June that Ontario has indeed a structural deficit, which is a spending problem by another definition. In the context of that same observation, we should email Mr. Simpson about your qualified observations.

Now today as well, in the Toronto Star, the title: "Big Pension Funds Bypass Province." It reads, "Ontario is failing to attract big international pension funds and other large pools of capital to finance reconstruction of its electricity infrastructure, says Michael Nobrega." He

goes on to say this is the largest fund and they're bypassing Ontario: "Foreign pools of capital avoid Ontario because they encounter clearer investment regimes abroad, where government stands back from day-to-day" operations. Ontario "is more likely to take an active day-to-day role." This is the red tape regime that we're seeing that's impacting the province of Ontario's competitiveness. Could you respond briefly to that? Is that false as well?

**Hon. Dwight Duncan:** No, it's accurate, but what happened was when you people imposed the price cap on electricity, investment dollars fled the province and confidence has not been regained; that's number one.

Number two, Mr. Nobrega makes a good point, in our view. I've had the opportunity to speak with him, and I do concur with him that we need to find more opportunities for those large pools of capital to operate.

One of the things they've asked for is a relaxation of the 30% rule that the federal government imposes, and the federal government has refused to do—

**Mr. John O'Toole:** Well, I just want to fill out the article a bit here. Go ahead.

**Hon. Dwight Duncan:** I think that we do want to attract—I should remind you, I think we've got 49 P3 projects under way now that involve investments from large, foreign banks that are bearing fruit. But I do agree with him that we need to find ways for large pension funds to access not just the energy sector, but other opportunities to invest.

**Mr. John O'Toole:** But he does talk about Ontario.

**Hon. Dwight Duncan:** Yes, and he's right.

**Mr. John O'Toole:** In fairness, he does talk about Ontario's one-third utility purchase transfer that needs to be removed, and I'm sure you'll be looking at trying to improve and amalgamating more of the utilities. He goes on to say—but this is the other part of it. The whole Bill 150 strategy is completely wrong. In fact, you'll find other experts around the world avoiding the volatility in the Ontario market. It's dominating most of question period.

Another person from London Economics: "Goulding said the feed-in-tariff program, which grants renewable energy producers fixed prices at higher than market rates, is a mistake.

"Goulding likened it to paying less-productive employees higher wages than their workmates.

"The program, along with other green energy policies, has been touted as a job creator, but Goulding said money that consumers will pay in higher electricity prices"—which we're hearing today from the NDP and everyone—"to finance the feed-in-tariffs might produce more jobs if it were spent directly" or retained employed workers.

You see, it's your strategy that is completely wrong. In fact, today we read as well in the paper—you're under siege here, not by us, but your friends in the media. They say that we have the highest tuition in Canada. You increased tuition fees under your policies by 10% this year.

We talk about a knowledge-based economy, an innovation economy on the electricity side, and Jeffrey Simpson, quite a loyal Liberal commentator and an intelligent fellow—you dispute him. Are you listening to the people? Not just in question period, Minister. The economy and the consumers of Ontario are under siege by your policies, whether it's switching on a switch or going to the store or trying to find a job—our students.

It's fine, the public sector; we need it. We respect it. We're not—as you vilify it in your remarks.

What you're saying is, "It's our way or the highway." It's costing more, and we're getting less in health care, in education, in daycare.

I'm asking you a question. It's not just me or the comments that Mr. Miller has cited from the media or that I've cited from both papers that are generally friendly to you. Your electricity plan, which was supposed to create 16,000 jobs, is a failure. We're paying 80 cents a kilowatt hour and selling it for five to nine cents. None of this is good policy. Or do you think it is good policy to run Ontario into the ground by spending more than you're making? Just answer that simple question.

**The Chair (Mr. Garfield Dunlop):** You've got two minutes left.

**Mr. John O'Toole:** Well, I'll give him some time here to get the rope out.

**Hon. Dwight Duncan:** We have to invest in new transmission and new generation in order to ensure a stronger future for our economy—

**Mr. John O'Toole:** That was the agreement you signed with Bruce energy, guaranteeing them, even if the energy was stranded, that you could get it out. You spent \$1 billion building a transmission line under a contract that you agreed to pay them.

**Hon. Dwight Duncan:** Sir—

**The Chair (Mr. Garfield Dunlop):** Okay. Let's let the minister answer the question.

**Mr. John O'Toole:** So don't blame it on us.

**Hon. Dwight Duncan:** Sir, your government signed that first agreement.

**Mr. John O'Toole:** Not the first one. You find the signed—

**Hon. Dwight Duncan:** With respect, you signed that agreement. By the way—

**The Chair (Mr. Garfield Dunlop):** A minute and a half left in this round.

**Hon. Dwight Duncan:** Yes, we will continue to make massive investments in our transmission. You're trying to pretend that you can freeze the price of electricity, and you can't. You're trying to make Ontarians believe that we had to stay with meters that were invented in 1909. You're trying—

**Mr. John O'Toole:** I talked to people this week from Sault Ste. Marie who told me—

**The Chair (Mr. Garfield Dunlop):** Let the minister finish, Mr. O'Toole.

**Mr. John O'Toole:** —meters that were in the homes—



**Hon. Dwight Duncan:** I think people of good will get it. They understand that the investments we're making are essential to ensure that we don't have to put diesel generators in downtown Toronto anymore, that we don't have over—

**Mr. John O'Toole:** You fought every investment in nuclear retrofits—

**The Chair (Mr. Garfield Dunlop):** Mr. O'Toole, would you let the minister finish, please?

**Mr. John O'Toole:** He's putting stuff on the record that's false. In fact, when we did the retrofit to the Pickering plant, you voted against that. John Manley was the head of that plant. We spent billions of dollars refurbishing existing infrastructure, which you and the previous NDP government ignored and avoided. That's why Ontario is in trouble, and you're making it worse, because every megawatt that you install in renewables has to be backed up by nuclear. You have failed to invest in nuclear. In fact, you cancelled the new-build nuclear in Durham.

Those are the facts. Your investments in long-term solutions are nothing more than talk. Your Premier promised to build those plants and now they've cancelled them, just like the 407—

1720

**The Chair (Mr. Garfield Dunlop):** That's the end of the official opposition's round. Now to Mr. Tabuns: You have 20 minutes.

**Hon. Dwight Duncan:** Do I get a chance to respond? I'm going to use my 30 minutes now, Mr. Chair, if I can.

**The Chair (Mr. Garfield Dunlop):** No, you can't. You can't go back to it.

**Mr. Peter Tabuns:** When you go to the Liberal rotation—

**The Chair (Mr. Garfield Dunlop):** When the government members—you'll have 20 minutes after the 20 minutes have rotated.

Mr. Tabuns has 20 minutes.

**Mr. Peter Tabuns:** And my guess is that your colleagues will give you the room. I have no doubt.

If we could have Mr. Orsini back, I'd appreciate that.

Before you proceed, I had a chance to ask you this question when we went through the revenue estimates. I'm asking the question again in part because either there is no firm number and it's simply a matter for negotiation, or there is a firm number—and if there is, I'd appreciate hearing it. The minister, when I first asked the question—I'm not trying to mix it up, I'm just trying to be clear—said that we had so much that was exemption; we negotiated point-of-sale with First Nations; we're pretty close to the limit.

I assume, then, that there is a sense of what that number is—or will you tell us that it is entirely up to negotiation between the federal and provincial governments? Can I get clarity on that?

**Mr. Steve Orsini:** I'd be happy to elaborate a bit further. The comprehensive integration coordination agreement we signed with the federal government lays out a formula for a number of things: the revenue

formula in terms of how much the province would get as part of the HST pool; it lays out point-of-sale exemption flexibility. It doesn't put a number in there; it puts a formula in there. So part of it is—and it's agreement between two levels of government. In negotiating with the federal government on a point-of-sale exemption, the province has the flexibility to designate what areas the point-of-sale would be applied to. Recently, it was a point-of-sale exemption for First Nations.

The idea is there has to be agreement on the numbers. So last fall, we published a report listing the costing for the point-of-sale. It was a footnote, saying that we still have to confirm that with the federal government. So we gave an estimate, but it still, at the end of the day, has to be ratified or confirmed with the federal government. In fact, in many of the point-of-sale exemptions, it was additional Statistics Canada research.

For the First Nations point-of-sale exemption there is a different methodology being applied. It's based on actual data—expenditures that will have to be collected. There might be a notional amount that is provided, and we've negotiated an agreement with the federal government on that notional amount. The idea is, that is still to be confirmed.

The base amount, what the 5% is, is something that the federal government would have to agree to, and it's a moving target because it ebbs and flows with the state of the economy, because it's 5% of the GST base. Then the costing of all the point-of-sale exemptions has to be agreed to by the federal government.

As we get closer to confirming the First Nations point-of-sale exemption, we'll be in a better position to articulate what those numbers are.

**Mr. Peter Tabuns:** So in many ways, really, it's whatever can be negotiated between the provincial and federal governments. There isn't a fixed limit; there is an agreement that's reached. So you'd reached an agreement initially for about \$600 million worth of exemptions. That was settled. You've put in place a process for another agreement on First Nations point-of-sale. You're going to negotiate that, finalize that. So in fact it's a floating framework rather than a hard cap.

**Mr. Steve Orsini:** There is a sense that there is a maximum of what's allowable in the framework. The challenge for some of these point-of-sale exemptions is, how much is that adding to the total costing allowable? I think the federal government, just knowing that they're concerned about the complexity that's added to the system every time a point-of-sale exemption—they will enforce a cap at the time and place they feel that would be breaching that cap. Exactly when we reach that is something that has to be negotiated with the federal government, but I don't think it's unlimited, from my experience and my discussions with the federal officials.

**Mr. Peter Tabuns:** So it's not quite "How high is up?" but it's not as firm as, "This is the floor; this is the ceiling."

**Mr. Steve Orsini:** It is one that every time the province of Ontario wants to approach a point-of-sale exemp-

tion, the federal government can weigh in and say, "You know what? We think that will breach the cap." It's a point of discussion.

**Mr. Peter Tabuns:** But they haven't sent a number out to you and said, "Here's the cap we're operating from."

**Mr. Steve Orsini:** No. It's a formula, and it's one that they have not given us a hard cap to work with. We approach them every time the province of Ontario wants to consider a point-of-sale exemption.

**Mr. Peter Tabuns:** That's useful. Thank you. Strange, odd to my way of thinking, but okay.

Minister, a pension question from a previous discussion: You've said before that an Ontario pension agency would be very expensive to set up. Can you tell me, in your mind, where the costs lie that you see as being an impediment to setting up an Ontario pension agency?

**Hon. Dwight Duncan:** There is a national pension agency that's established, the Canada pension plan, which has—I think they manage pension investments at about a quarter of 1%, 0.25%—Steve, I forget the number—versus 2.5%, say, for a private sector.

We have a model in Quebec, the Quebec pension plan, which is in serious challenge in terms of its ratios, in terms of its—so you're imposing additional costs. In terms of the actual dollar amounts, we haven't looked specifically at the total dollar amounts. We look more at management expense ratios and the cost associated with having a Canada pension plan, an Ontario pension plan supplement, and what that would mean in terms of the management of one's savings and the interrelationship between, say, a supplementary Ontario plan and the Canada pension plan, as well as whatever private pension somebody might have.

In general, the only limitation on that is what I would call the size of funds under management by any one organization, whether it's the Canada pension plan or what have you. We saw in Quebec what happened with the Caisse de dépôt, for instance. But I don't believe we're at that point, and our view is that a strong national pension manager like Canada pension is the appropriate mechanism for managing a public pension system.

We believe that duplicating that will duplicate costs, will create more inefficiencies in the management of funds and the distribution of pension assets to people, and that that existing mechanism, which is well regarded in terms of its management skills, is the appropriate institution for managing public pensions. For Ontario to set up a supplementary pension—Alberta and British Columbia, as you know, initially supported that concept. Both provinces have backed off of that based on the advice they've had from a range of experts associated with the cost of running a supplementary plan within their jurisdiction.

So our view at this point is if people of good will can work together across the country to enhance the Canada pension plan, there's no need for an Ontario supplementary plan. We would prefer to strengthen the

Canada pension plan as opposed to setting up another pension manager.

1730

**Mr. Peter Tabuns:** Okay. Speaking of the Caisse de dépôt and the recent experience over the last few years with securities, in March the all-party government agencies committee released a good report on securities reform, and I'd like to follow up with some questions on recommendations that they have made, which I think are relevant to us. Certainly one would have thought the caisse would have been more—what can I say?—cautious about asset-backed commercial paper. They weren't. Hopefully, here in Ontario we can protect investors, small investors, who depend on the stock market and securities for their pensions.

The committee recommended "that the Ministry of Finance review the statutory scope of the commission's public interest jurisdiction; and introduce legislation to establish a regulatory framework for credit rating agencies that meets international standards." Can you speak to your approach to those two recommendations? Do you accept them, and if you accept them, can you tell us how you're acting on them?

**Hon. Dwight Duncan:** We support the latter one, certainly, on the regulation of credit-granting agencies. That is being undertaken at the international level by national governments. I just met yesterday with Dominion Bond Rating Service to get their views on how that has been evolving, and we continue to work with the federal government to ensure that those new international standards are met here in Canada. It's a worthwhile pursuit.

I should say that the industry itself agrees to greater regulation, and we look forward to working on that with the federal government, by the way, in the context of a common securities regulator. But there is international work going on that involves the federal government, and they are trying, as I understand it, to bring the European Union, Americans, Canadians and others into sort of a common regulatory framework for those credit rating agencies. There are only four of them in the world, and Dominion Bond Rating Service, which is based right here in Toronto—their office is literally four or five blocks from here—is one of them. So we support that, they support it, and that dialogue is happening at the international level as we speak.

**Mr. Peter Tabuns:** The Ontario Securities Commission—the Ontario government, because there is no national regulator, is the de facto regulator?

**Hon. Dwight Duncan:** Not of bond rating agencies, it's not.

**Mr. Peter Tabuns:** The committee had recommended that you bring in legislation or a framework. Do you accept that recommendation or are you—

**Hon. Dwight Duncan:** We believe the federal government has the responsibility, because this is an international undertaking that's going on. The European Union, for instance, has brought forward a number of proposals, and Canada has brought forward a number of proposals. We



continue to work with the federal government, but we believe that is their responsibility.

**Mr. Peter Tabuns:** I'll go back then to the first recommendation in this group: "review the statutory scope of the commission's public interest jurisdiction." They felt that the commission needed more operating room to protect the public. Do you agree with them, and are you acting on that recommendation?

**Hon. Dwight Duncan:** We work on an ongoing basis with the securities regulator. I signed off in the last year on a whole range of new regulatory authorities. I only have one portion. The enforcement portion falls under the jurisdiction of the Attorney General. But we believe we've made progress. We believe the best progress to be made is through a common securities regulator, which we're working on with the federal government. That securities regulator should be headquartered here in Toronto. But we do rely on the commission itself, which is an arm's-length body from the government, for their advice.

There has been an ongoing debate in this country and province as to the efficacy and success of our regulatory regimes. I should point out that the challenges we saw going through the great downturn of 2008-09 and the outcomes of that were much less severe than in other places, but we will continue to work, first of all, on building a common securities regulator. That is, in our view, the first and most important thing we can do to enhance securities regulation here in Ontario and in Canada. We have dedicated considerable resource to that. We support the federal initiative in that direction, so that is first and foremost what we need to do.

On the regulatory side, we are constantly looking at ways to improve our ability to regulate the stock markets, some of which are met by participants with great support, others of which they've opposed. We have enhanced a number of regulations. I will provide you with a list of those that I have signed, certainly in the last—why don't we say the last year, since the last set of estimates, to give you an indication of that?

**Mr. Peter Tabuns:** Yes.

**Hon. Dwight Duncan:** Peter, our view, our strong view, is that a common securities regulator, so we no longer have 14 jurisdictions in Canada involved in this, is in everybody's interest. That is what we're moving towards, and we're working very hard, certainly with the federal government. As you're probably aware, a number of provinces strongly oppose that, but I think some 70% to 80% of capital markets are headquartered here in Toronto, and we will continue to support that initiative, as long as, of course, Toronto remains the headquarters for that. That is, in our view, the most important thing we can do on the securities side.

**Mr. Peter Tabuns:** Just so I'm very clear, you are not engaged in a review of the statutory scope of the commission's public interest jurisdiction at this time?

**Hon. Dwight Duncan:** No, we are not.

**Mr. Peter Tabuns:** Then I am clear.

The committee recommended "that the province establish a dedicated capital markets crime unit with sufficient resources to hire and retain specialized staff to investigate and prosecute criminal law as it applies to misconduct in the capital markets." You've just said that—

**Hon. Dwight Duncan:** The Attorney General.

**Mr. Peter Tabuns:** Yes. Is your government, of which you are a part, the cabinet of which you are a part, a person who's a significant player, considering action on this recommendation from the committee?

**Hon. Dwight Duncan:** I'm going to have to refer that to the Attorney General. What I can say is there are considerable resources expended on enforcement within the Ministry of the Attorney General, but beyond that, I'd have to refer that question to the Attorney General.

**Mr. Peter Tabuns:** Fair enough.

**The Chair (Mr. Garfield Dunlop):** You have four minutes, Mr. Tabuns.

**Mr. Peter Tabuns:** How much time do I have?

**The Chair (Mr. Garfield Dunlop):** Four minutes.

**Mr. Peter Tabuns:** It just rockets by, Mr. Chair.

The committee recommended that "the Ministry of Finance give priority to legislative amendments necessary to:

—implement a regulatory framework for credit rating agencies;

—enhance the commission's power to preserve assets during an investigation;

—expand the definition of illegal insider tipping;

—clarify the commission's jurisdiction over companies operating in the United States in the over-the-counter market that engage in manipulative or illegal activities aimed at Ontario investors; and

—regulate complex investment products as they are introduced into the marketplace."

As Minister of Finance, do you accept those recommendations from this committee? Are you acting on them?

**Hon. Dwight Duncan:** We've taken a number of steps. I've just been handed a note to give you a little more detail on what we've done.

**Mr. Peter Tabuns:** Thank you.

**Hon. Dwight Duncan:** We've given the OSC more flexibility to take action on the basis of an enforcement order issued in another jurisdiction, to your question, including orders made by courts and security regulators in other provinces; giving investors the right to sue for misleading secondary market disclosure; adding clearer Securities Act offences for market manipulation, fraud and misrepresentations; strengthening deterrents to wrongdoing through increased maximum court fines and prison terms; granting new powers to the OSC to review information that public companies provide to investors, impose administrative fines for securities violations, and order offenders to give up all their ill-gotten gains from those violations.

In my budget this year, we announced that our government plans to propose reforms to the Securities Act—to your previous question—including changes to

bolster capital markets enforcement. Ministry staff are working with the OSC to review a number of possible measures. As I say, that is now in the hands, I think, of the Attorney General, so I'll refer it to him. But we have provided the resources. That gives you sort of the eight points that we have focused on in the last short while.

**Mr. Peter Tabuns:** Okay. Thank you, Chair.

**The Chair (Mr. Garfield Dunlop):** Is that all you have, Mr. Tabuns?

**Mr. Peter Tabuns:** For the moment.

**The Chair (Mr. Garfield Dunlop):** Okay. We'll now go to the government members for the next 20 minutes. We'll finish their round today, I think. We're pretty well close to that right now.

**Mr. Bob Delaney:** I think we're almost exactly on 20 minutes to finish on time.

Minister, in the last round, there was a little bit of cross-talk going back and forth in between the question and the answer. Forgive me, but I didn't really have a chance to properly hear the answer that I think you were trying to give to the question raised by the member for Durham. For my edification, would you mind amplifying?

1740

**Hon. Dwight Duncan:** Yes, there was quite a discussion—a one-sided one, I might add—and I won't use the kind of language to refer to his point of view that he did with me, but he raised Pickering. It came in \$1.2 billion over budget. It was done by the last government. In fact, a report that was commissioned by his own government was enormously critical of the way that particular project was managed. The chair of that commission, which had been appointed by his government, the Honourable Jake Epp, a former Conservative health minister, did such a good job on that that I, at the time, when I was energy minister, asked him to become the chair of OPG. We were fortunate that he accepted, and he is still chair of Ontario Power Generation.

On the question of new-build nuclear, what the member neglected to say in his diatribe was that in fact our government has committed to two new nuclear reactors. We did so in 2006 with our integrated power system plan. We have not cancelled that, as he said. What we did do, however, was do an in-depth analysis of what the cost of that would be. Quite candidly, when the report came back, the numbers were much higher than anybody anticipated, and so we have slowed down the process.

We're now dealing with a situation where the supplier of all of our reactors, AECL, Atomic Energy of Canada Ltd., has been put up for sale by the federal government, without consultation with Ontario, without the benefit of knowing what the largest customer of that organization's view is, and that puts considerable uncertainty into the mix as well.

I think what needs to be said about the energy policy is that in 2003, when we came to office, OPG was bankrupt. We had the largest cost overruns ever associated with a single refurb of a reactor, and that was Pickering A, unit 1, which was by any definition a

disaster. We were able to proceed with Pickering A, unit 4. We did that refurb and we came in on time and on budget. We chose not to refurb units 2 and 3 because of the cost associated with it versus the return.

We in Ontario need to refurb some 10 reactors over the next 12 years. Nuclear base load accounts for 51% of our power. It is challenging, no doubt, but more importantly, we have to invest in our transmission, the big wires that take power from large generation facilities to communities. We're doing that.

We are investing in new green energy. The opposition doesn't think that we should be paying higher rates for green energy that is produced on our farms, and we respectfully disagree. We think it's an important market. At its maximum it will be a very small percentage of our installed capacity, and what it is designed to do is incent not only the development of that power here in Ontario, but the development of that industry.

I think Ontarians remember the blackout. They remember the summers of 2004 and 2005 when there was a very real risk of blackouts. What that member and his party are advocating is dirtier electricity; that is, our air in our communities will not get cleaned up.

They're pretending that the price of electricity is not going up everywhere else. It is. Some jurisdictions are luckier than others. Quebec and Manitoba have an abundance of hydroelectric supply, which allows them to be among the least expensive not only in North America but in the world.

We do have to be cognizant of our competitive position on the industrial side. That's why we've done a whole range of things, including the northern industrial electricity rate which was included in the last budget.

So any government needs to say, "What are we going to do to have cleaner power, more reliable power, and ensure that we don't have to worry about blackouts in the future, or brownouts or rolling brownouts?" Reliability is key. We will continue to make investments in transmission, in distribution and in cleaner sources of energy. That comes with a cost. We always have to be looking for ways to help consumers manage that.

There has been a great contretemps around so-called smart meters. They're being installed in a whole range of jurisdictions around the world. Ours are now in the process of being installed. They're a modern technology. The old hydro meter that most of us have in our house? That essential technology was invented in 1909. If you ever try to read it—I don't know about you, but I can't read it. Not only will they afford us opportunities in the future to manage our consumption, but the system savings associated with the installation of those meters and better wires, the so-called smart grid, will help make this economy more productive and more competitive.

I acknowledge that there are challenges in implementing this. I acknowledge the angst that seniors feel around the price of electricity. We will continue, as we did with our Ontario seniors' property tax credit, to look at ways to assist people in managing this.



**Mr. Bob Delaney:** Well, if I can just interject a little bit on that, anybody who owns a cell phone is used to time-of-use metering because that's exactly the technology. Your cell phone is metered by what amounts to a smart meter, which is, in fact, a time-of-use meter. Anyway, sorry. Carry on.

**Hon. Dwight Duncan:** You make a very good point. I guess the point is that politicians of all political stripes, for their own purposes over the years, have tried to pretend that the next unit of electricity is going to be less expensive than the last unit. That's just not the case.

We saw what happened—and we did have to install diesel generators in some of our largest communities in this province in the summer of 2002 and 2003. Our wires were literally falling apart because people didn't want to come to terms with the need to invest to keep the system running.

It's just like our houses—your house, my house: When the wires get worn out, what do we do? We replace them. When we need a new energy-efficient appliance, it costs money, but we know that over time, there will be a pay-back. That's what leadership is about. That's why what we've said is, "We want cleaner air in our communities."

You know, right now, Bob, today in Ontario, on our old wires we lose almost 15% of the electricity we generate just by what they call line loss. Yet people like Mr. Hudak and others want to allow that to continue. Think about 15%. That would be a coal plant or a nuclear plant. That's what you're talking about. We reject that, and we're going to take our argument to the people of Ontario and say that the kinds of investments we're making are important for a better future for our kids—and at the same time acknowledge that we have got to help people manage through this.

One of the big challenges with conservation is that it's hard to accrue the benefits of conservation to people of more modest means. If you're a senior citizen in a one-bedroom apartment with four or five lights and a stove, it's hard to conserve. We know that. It's much easier for somebody in a large house with a swimming pool and all of the accoutrements that go with that. That is a challenge; we know that. The issue is, how do we help those people deal with that?

We learned from our farmers about how to better use resources, and that's why I support the microFIT program. When I see a wind turbine up in rural Ontario, I know there's a farmer getting a lease payment, still being able to farm the land. And we're producing cleaner electricity. When I see the microFIT program—again, an anaerobic digester; I think a number of us went up to the Stanton farm. You remember Walkerton, what happened and how that happened. Imagine if we had more anaerobic digesters across Ontario so we could take various forms of animal waste, whether it's cow manure, pig manure—and by the way, I guess each one of these different types of waste has different energy coefficients and so on, but imagine if that's how we could dispose of it.

Then, by the way, those farms—the Stanton farm, I think, is probably the best example—can turn even the by-product from that into useful product, whether it's bedding for the barns or algae-enhanced opportunities for fish farming. It's unbelievable.

1750

We've got to get away from that old paradigm that just says, "Let's freeze the price. Let's not make the investments. Let's just pretend that the way things were going is the way they should keep going." You know what? We will lose our competitive advantage. We will fall further behind if we don't take these steps today.

Premier McGuinty has set this province on a path for a brighter future for our kids, whether you're talking about electricity pricing and policy, education or a more competitive tax regime. As the Premier said on any number of occasions, every generation of Ontarians has had to make sacrifices, and I think all of us agree that we're prepared to make those sacrifices if we think it'll improve our children's opportunities in the future.

A better, more reliable electricity system and cleaner air, I believe, are in everyone's interest, and to pretend that you can artificially keep the price of power down is just not true. There is a big price to pay for that. In the one and a half years of the previous government's price freeze, not only did investment in new transmission and new generation cease; it stopped entirely. It cost the provincial treasury \$1.5 billion and contributed to the hidden \$5-billion deficit that that government left—the biggest portion of it.

You know what? When you tell people the facts, when we have the debate—and we have to have a debate because it is money, and we have to be sensitive to those needs—I think people will understand the need to make those investments, and I think they will get it.

I was talking to some home builders and they're saying that young families are now demanding energy-efficient appliances in their homes, whether it's one of those hot water heaters that just flows the water or any range of other things. People understand that, and our job is to convey the importance of these investments in transmission, distribution and generation, and in cleaner forms of technology.

I believe very strongly and I think our government's view is that without those investments, you're talking about less reliability, less productivity and an economy that just can't compete.

**Mr. Bob Delaney:** You make some very strong points. You mentioned a few that, for those of us in western Mississauga, an area that is still relatively new—when you sit down and talk to people, it seems almost counter-intuitive to think, "Well, this is my new fridge." You say, "Okay. When exactly was your new fridge new?" "Well, in 1994."

The biggest manufacturer of home appliances, Whirlpool, which makes everybody's, is a constituent of ours, a very interesting company that's very enlightened in its approach. I've worked with them and they've shown me the cost-benefit analysis if you have an ap-

pliance that's more than 10 years old. Your payback time in terms of savings in energy: It's far less expensive to take the old appliance and recycle it today—and I'm going to come back to the recycle part—than it would be to continue to use it and to continue to pay the energy cost.

In most homes, we're speaking about the refrigerator, which is a big consumer of energy. Your dryer and your dishwasher are big consumers of energy, and your stove and, secondarily, your clothes washer and your television. Most of us, for entirely different reasons, which is that we would like to have high-definition television, have long since tossed the old vacuum tube TV that sucked up juice and replaced it with a far more energy-efficient high-definition, LED or plasma screen TV. But even now, the next generation of those are far more efficient than the "old," circa 2005, version.

About two years ago in the fall, at the suggestion of Whirlpool, I went to Oakville, where our colleague Kevin Flynn has the facility where old refrigerators go to be recycled. A lot of people say, "Well, you know, I feel bad about wasting it. My parents came from the Depression, and I know what it was like." They've all got stories of when they didn't have a lot of money. The idea that you're taking a perfectly functioning, working appliance—it seems counter-intuitive that you're going to put it out front and someone is going to take it. But it is a good idea, because it goes to this place in Oakville.

The first thing they do is go through and strip out all plastic, and they recycle all the plastic. The second thing they do is snip off all of the Freon and recycle all the Freon, so it isn't lost; it doesn't end up going into the atmosphere and so on and so forth. There isn't much left that isn't metal. The fridge is then put into a compressor an awful lot like a car compressor, and they squeeze it. Down comes this enormous, big, thick, heavy block of metal. The expression in the plant is "fridges to bridges" because it goes to Hamilton, and it's melted down and comes out as rebar or whatever else.

The feeling that people have that somehow or other it's wasteful or that if you discard the good old fridge that was one of your wedding presents when you first got married, or "This was the first fridge we got when we could actually afford to buy appliances," or whatever else—there's a lot associated with the fridge: "This is the one my kids put their notes on and where we stuck their

drawings"; ditto for the washer and the dryer and the dishwasher and whatever else.

**The Chair (Mr. Garfield Dunlop):** You have three minutes, by the way.

**Mr. Bob Delaney:** Thank you. In fact, doing what seems to be counter-intuitive not only works for the environment because it doesn't go into landfill, but it recycles the steel, it captures the Freon and any other nasties that may be in it, and it provides an incentive because most of the components for new appliances are, in fact, made in either Ontario or Pennsylvania, but mostly Ontario. It gives many hundreds of thousands of families—we were celebrating, at that time, the 500,000th recycled refrigerator. It allows that many brand new, energy-efficient fridges to very significantly lower the demand on the electricity system that you spoke very eloquently about in macro terms. As we do this with our other appliances—and very helpfully, our microwaves tend to break down pretty much on schedule whenever their key components wear out. As we replace those and give up our feelings of guilt at saying, "I'm throwing out something that, in every way, is still working" and realize that, in so doing, what you're not throwing out is energy consumption—the energy consumption is going down, not going up.

I just wanted to acknowledge that, although this is slightly off topic in estimates for finance, energy is as crucial to the direction that we're going as a province as is our ability to marshal our financial resources and deliver an efficient financial system for businesses to come here. They also need a secure, affordable, reliable system of electricity generation and transmission.

Chair, does that take me to the end of my time?

**The Chair (Mr. Garfield Dunlop):** No, you've got about another 20 seconds.

**Mr. Bob Delaney:** I've got about another 20 seconds? I tell you what: Can I ask for unanimous consent that we just skip the 20 seconds and close it here?

**The Chair (Mr. Garfield Dunlop):** Are you happy with that answer, Mr. Minister?

**Hon. Dwight Duncan:** Absolutely.

**The Chair (Mr. Garfield Dunlop):** Okay. We'll adjourn the meeting today, and we'll meet again here on the morning of the 28th at 10:30 in the morning. Thank you very much, everybody. Thanks, Minister, and thank you to staff.

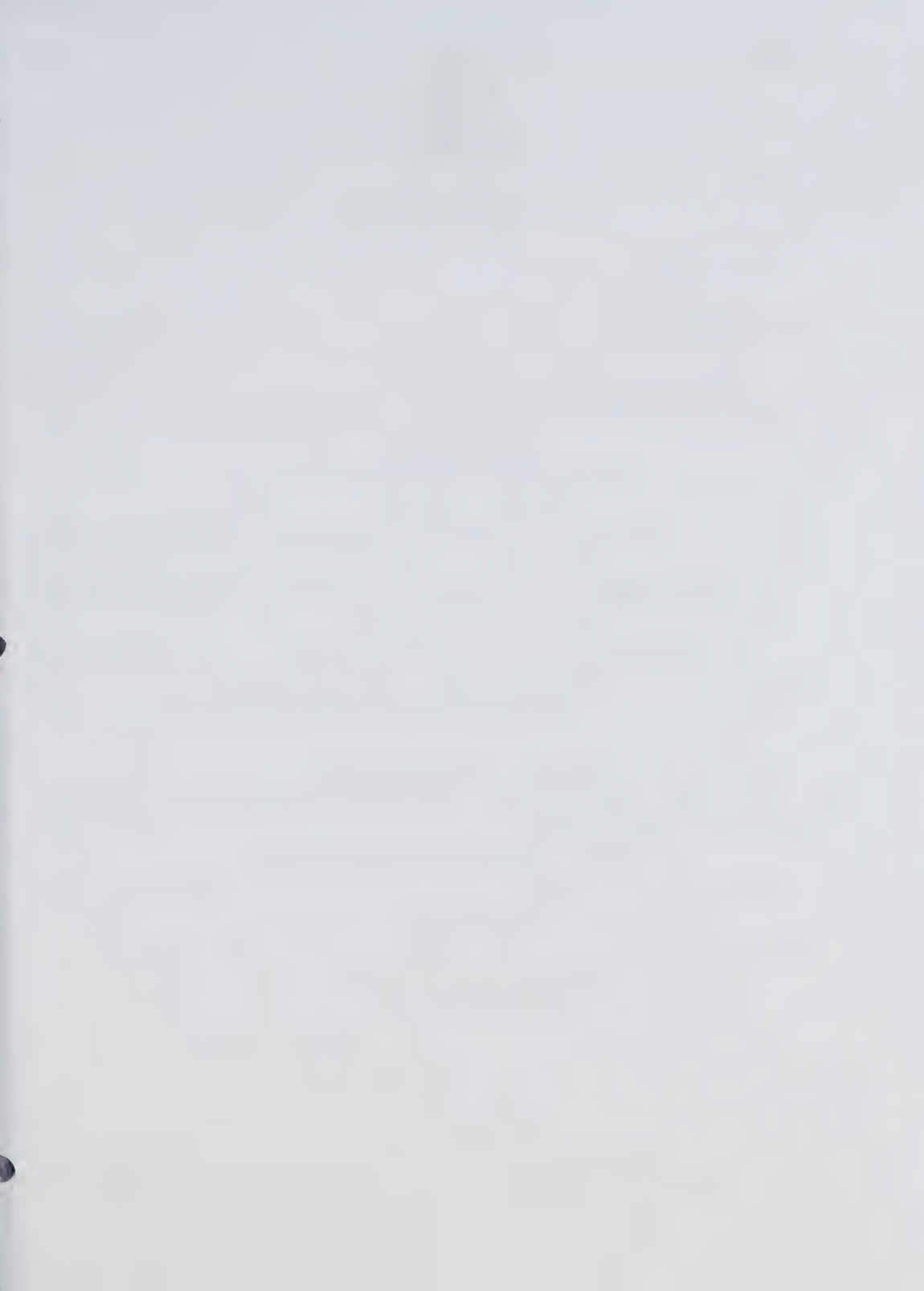
*The committee adjourned at 1759.*











## CONTENTS

Wednesday 22 September 2010

|                          |       |
|--------------------------|-------|
| Ministry of Finance..... | E-167 |
| Hon. Dwight Duncan       |       |
| Mr. Greg Orensak         |       |
| Mr. Steve Orsini         |       |

### STANDING COMMITTEE ON ESTIMATES

#### Chair / Président

Mr. Garfield Dunlop (Simcoe North / Simcoe-Nord PC)

#### Vice-Chair / Vice-Président

Mr. Robert Bailey (Sarnia–Lambton PC)

Mr. Robert Bailey (Sarnia–Lambton PC)

Mr. Gilles Bisson (Timmins–James Bay / Timmins–Baie James ND)

Mr. Jim Brownell (Stormont–Dundas–South Glengarry L)

Mr. Kim Craiton (Niagara Falls L)

Mr. Bob Delaney (Mississauga–Streetsville L)

Mr. Garfield Dunlop (Simcoe North / Simcoe-Nord PC)

Mr. Phil McNeely (Ottawa–Orléans L)

Mr. John O’Toole (Durham PC)

Mrs. Maria Van Bommel (Lambton–Kent–Middlesex L)

#### Substitutions / Membres remplaçants

Mr. Norm Miller (Parry Sound–Muskoka PC)

Mr. Peter Tabuns (Toronto–Danforth ND)

#### Also taking part / Autres participants et participantes

Mr. Norman W. Sterling (Carleton–Mississippi Mills PC)

#### Clerk / Greffier

Mr. Douglas Arnott

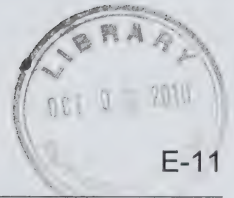
#### Staff / Personnel

Ms. Anne Marzalik, research officer,  
Legislative Research Service



ON  
C26  
E77

Publications



E-11

E-11

ISSN 1181-6465

## **Legislative Assembly of Ontario**

Second Session, 39<sup>th</sup> Parliament

## **Assemblée législative de l'Ontario**

Deuxième session, 39<sup>e</sup> législature

# **Official Report of Debates (Hansard)**

**Tuesday 28 September 2010**

# **Journal des débats (Hansard)**

**Mardi 28 septembre 2010**

## **Standing Committee on Estimates**

Ministry of Finance

## **Comité permanent des budgets des dépenses**

Ministère des Finances

Chair: Garfield Dunlop  
Clerk: Douglas Arnott

Président : Garfield Dunlop  
Greffier: Douglas Arnott

### **Hansard on the Internet**

Hansard and other documents of the Legislative Assembly can be on your personal computer within hours after each sitting. The address is:

<http://www.ontla.on.ca/>

### **Index inquiries**

Reference to a cumulative index of previous issues may be obtained by calling the Hansard Reporting Service indexing staff at 416-325-7410 or 325-3708.

### **Le Journal des débats sur Internet**

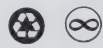
L'adresse pour faire paraître sur votre ordinateur personnel le Journal et d'autres documents de l'Assemblée législative en quelques heures seulement après la séance est :

### **Renseignements sur l'index**

Adressez vos questions portant sur des numéros précédents du Journal des débats au personnel de l'index, qui vous fourniront des références aux pages dans l'index cumulatif, en composant le 416-325-7410 ou le 325-3708.

---

Hansard Reporting and Interpretation Services  
Room 500, West Wing, Legislative Building  
111 Wellesley Street West, Queen's Park  
Toronto ON M7A 1A2  
Telephone 416-325-7400; fax 416-325-7430  
Published by the Legislative Assembly of Ontario



Service du Journal des débats et d'interprétation  
Salle 500, aile ouest, Édifice du Parlement  
111, rue Wellesley ouest, Queen's Park  
Toronto ON M7A 1A2  
Téléphone, 416-325-7400; télécopieur, 416-325-7430  
Publié par l'Assemblée législative de l'Ontario



## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
ESTIMATESCOMITÉ PERMANENT DES  
BUDGETS DES DÉPENSES

Tuesday 28 September 2010

Mardi 28 septembre 2010

*The committee met at 0902 in room 151.*

## MINISTRY OF FINANCE

**The Chair (Mr. Garfield Dunlop):** Good morning, everyone, and welcome to the Standing Committee on Estimates. Good morning, Minister Duncan and staff of the ministry.

**Hon. Dwight Duncan:** Garfield, how are you?

**The Chair (Mr. Garfield Dunlop):** Great.

We are now resuming consideration of the estimates of the Ministry of Finance, vote 1201. There's a total of three hours and 59 minutes remaining. When the committee adjourned at the last meeting, we had seen the completion of two rounds of questioning by all three parties. We will now start a new round, with 20 minutes allocated to each party in this round.

I recognize the official opposition. Mr. Miller, you have up to 20 minutes in this round.

**Mr. Norm Miller:** Thank you, Mr. Chair; just three hours and 58 minutes to go.

I'd like to begin by asking the minister about the province's debt. From the public accounts of 2009-10, we see that the debt of the province increased by \$35.2 billion in the past year. I would simply ask the minister, is he not concerned about adding this new debt, about mortgaging our kids' future with this \$35.2 billion of additional debt in the past year?

**Hon. Dwight Duncan:** Absolutely, but as governments around the Western world have had to do in response to the downturn, we have invested significant amounts of money in stimulus, and when one looks at our debt-to-GDP, deficit-to-revenue ratios, deficit-to-GDP ratios, relative to many jurisdictions in the world, we are still in reasonably good shape. So to your specific question, of course we are, and that's why we have laid out a plan to get back to balance. We did balance the budget three years in a row in advance. We've paid down some \$4 billion of stranded debt at Ontario Hydro. Even though the debt retirement charge was put on in 1999, the stranded debt actually continued to increase between 1999 and 2004. So to your specific question, yes, we are concerned about that. That's why we've laid out the plan, and we appear to be on target, unlike a number of jurisdictions, to meet the G20 goal of getting back to balance, even though we've laid out a longer period of time out of what I would call prudent assumptions going into our budgets.

The short answer is, we are concerned about it. We've laid out a plan to get back to balance, and we're in a position not unlike many governments around the world.

**Mr. Norm Miller:** With that new debt of \$32.5 billion, where is the money borrowed from? What countries? How much in Canada and how much in—

**Hon. Dwight Duncan:** Most of it comes from Canada. This year, it'll be higher from outside of the country. I can provide you later with the amounts.

The interesting thing that's going on in the world now is the so-called Canada brand, and Ontario is considered part of that. Our debt is seen as very attractive, which is one of the reasons why I believe our credit rating has largely stayed intact. I think that the strength of the Ontario and Canadian economies, relative to the world economy, has been proven over and over again. So our very ambitious borrowing program this year has met with a great deal of success. We do borrow internationally. The percentage has gone up this year as a result of the borrowing we have to do, but generally speaking, most of our money is borrowed in Canada from Canadian sources. I'll undertake to get back to you with accurate numbers with respect to those percentages.

**Mr. Norm Miller:** In terms of a rough percentage, is it 50-50?

**Hon. Dwight Duncan:** No, it's a much higher Canadian percentage. This year is different, and we're still in process on this year, so I'm going to undertake to get back to you. I don't want to give you wrong information.

**Mr. Norm Miller:** Okay. What countries do we borrow this money from?

**Hon. Dwight Duncan:** We borrow from different countries: the United States, the United Kingdom, China. We have special issues that are sold around the world.

**Mr. Norm Miller:** Do we borrow money from Europe at all?

**Hon. Dwight Duncan:** The United Kingdom, definitely. Again, I'm going to have to get back to you on those percentages, but through most of the last several years, it's been predominantly borrowed here in Canada.

The other thing that's happened, too, is that the Ontario Financing Authority has done, I think, a terrific job in renegotiating and lengthening our debt at very low interest rates. So even though the amount of debt has gone up, we've seen a relative decline in the interest cost to the government. That is a great success, but it also is a harbinger of potential problems, should interest rates go

up. I think most people would share that concern. I think a 100-basis-point increase costs the provincial treasury about half a billion dollars. So it's a real issue for us, and one that we watch carefully, and the Ontario Financing Authority has done just a terrific job of lengthening the amount of borrowing as well as locking in at lower interest rates for a longer period.

**Mr. Norm Miller:** So \$35.2 billion in new debt this year. And you did raise the interest rate concern, in layman's language; you said 100 basis points. So a 1% increase in the rate you borrow at adds \$500 million to—

**Hon. Dwight Duncan:** Approximately, yes, because of the differing ages of our debt and what's expiring and so on. That is an approximation.

**Mr. Norm Miller:** And your plan from last year's budget through to when you balance in 2017-18, according to the plan, shows interest rates virtually doubling—sorry, not interest rates, the total charge, going from roughly \$8 billion to \$16 billion, as I recall.

0910

**Hon. Dwight Duncan:** Those numbers are contained in the budget documents, yes.

**Mr. Norm Miller:** Recently, we're seeing that Ontario is facing double the inflation rate of other provinces in the last couple of months. I believe it was 2.9% in July and 2.9% in August. That's about double what the other provinces have seen.

Higher inflation rates tend to put pressure on interest rates, resulting in higher interest rates. Are you concerned with those inflation numbers and the effect they may have on interest rates?

**Hon. Dwight Duncan:** We anticipate, as do most private sector economists, that those numbers will even out throughout the year. In British Columbia and Ontario, with implementation of the HST, as predicted, we did see the increase in prices. In fact, the prices didn't increase as much as some analysts had projected.

There are other factors, I think, that are going to have a much greater impact on interest rates. Those are decisions taken by, as you know, the Bank of Canada, the Federal Reserve Board in the United States and central banks around the world for a whole variety of factors. Inflation is one of those factors. I haven't seen the governor of the Bank of Canada's most recent commentary about the inflation numbers, but the bank does not seem to be particularly seized of those numbers at this point in time.

A greater challenge for us is the price of oil and its impact on the Canadian dollar and on inflation, what happens in the US—so we'll continue to monitor them.

We have built into the budget projections modest interest rate growth to accommodate those potential changes. Again, we update these numbers periodically. At the time of the fall statement, we'll update our assumptions again. That statement will likely be sometime in mid- to late November this year.

It's difficult to say, but I think the bottom line, given the state of the US economy and what's happening in the world with consumer demand, is that at this point it does

not appear to be a factor that's heavily influencing the decision-makers in central banks.

**Mr. Norm Miller:** Getting back to the debt and the trend we've seen in the last two years—you talked about a couple of comparisons—the trend is going the wrong way. Net debt to revenue went from 151% in 2007-08 to 202% in 2009-10. Net debt per capita—that's the debt per person—went up \$2,600, from \$12,240 to \$14,813. The net debt to GDP, which I think you cited, is trending the wrong way as well, from 26% to 34%. At the same time, we're relying more on federal transfers, from 16% in 2007-08 to 19.4% in 2009-10. Those trends all seem to be going the wrong way. Are you concerned about that?

**Hon. Dwight Duncan:** We were concerned about employment and jobs at the time of the downturn and have invested heavily in stimulus.

I would like to share with you numbers that are taken out of the budget documents and forecasts. When you look, for instance, at the accumulated deficit as a percentage of GDP, over the course of the next several years, till we come into balance, the deficit as a percentage of GDP will never reach the rates it did in the latter part of the 1990s. For instance, in 1999-2000, the accumulated deficit as a percentage of GDP was 32.9%. We expect that that will peak at about 28.9% in 2014-15 and actually begin to decline at that point.

Those are the numbers that the credit rating agencies look at. Those are the numbers that investors look at. So when one looks at our deficit versus GDP, our numbers, even after what we've had to do in the last two years, are still very strong. I'll be happy to provide you with those.

Even when one looks at interest as a percentage of revenues, for instance, in 1999-2000 interest as a percentage of revenue was 15.6%. This year, it's about 9.1%. We expect it to peak at 11.9%—well below the percentages that were experienced, particularly in the late 1990s.

You have to look at these ratios and be very careful. That's one of the reasons why our credit rating has remained largely stable, and I think that's one of the reasons why bondholders around the world talk about the Canada brand and see Ontario, relatively speaking, as a good place to invest. I think that bodes well as we move back to balance. We've laid out a clear plan. In the first year of that plan, we've overachieved our objective. There's more to do obviously, but I think those numbers are what the analysts look at.

Another innovation we brought forward in 2004 was the Fiscal Transparency and Accountability Act. What happens is, the Auditor General now has to sign off on our budget projections for future years and going up into an election. We're actually hoping that your caucus will submit that same test on your platform document to the auditor, so that people can have the confidence this time that the numbers provided are accurate.

I think you need to look at those numbers. You need to look at the size of the debt and deficit relative to the gross domestic product, relative to a range of factors and bear that in mind as you do your analysis.



**Mr. Norm Miller:** Once again on the bad debts, some of the numbers from the public accounts report seem a little bit shocking. I see a total of \$3.5 billion in bad debt expense from the public accounts, the biggest number being in finance at \$3.016 billion bad debt expense. You go through all the various ministries and there's all kind of bad debt expense. Can you explain what that bad debt expense is and if there's any hope of recovering this \$3.5 billion in bad debt expense?

**Hon. Dwight Duncan:** First of all, we write them off. Some of those debts go back 10 years. In the last two years, the numbers have been relatively consistent. We still pursue those bad debts. Oftentimes there's nothing to collect from. But to your specific question: Yes, we do. We still pursue them where there is something to pursue, but because of the accounting rules, we write those off based on the rules at the time that the auditor and the controller general of Ontario feel is the appropriate time to write them off. Again, many of those debts go back more than seven or eight years.

**Mr. Norm Miller:** I mean \$3.5 billion is a big number, \$3 billion of it being in finance. Can you give some more detail as to what these might be?

**Hon. Dwight Duncan:** That would be uncollectible taxes, things of that nature.

Greg, maybe you can to give more detail to that.

**Mr. Greg Orenszak:** That would be accurate. For example, bad debt would be uncollectible taxes, outstanding loans. Student loans would be an example of that.

**Mr. Norm Miller:** Sorry. Did you say student loans?

**Mr. Greg Orenszak:** That's right.

**Mr. Norm Miller:** How big a factor are student loans? I guess that would be in the Ministry of Training, Colleges and Universities, or is that in the finance number? Because there's \$37 million showing in bad debts in training, colleges and universities, and \$1.9 million in another separate category?

**Mr. Greg Orenszak:** Student loans would be carried under the Ministry of Training, Colleges and Universities. It wouldn't be in the finance numbers.

**Mr. Norm Miller:** So there are three different figures there for training, colleges and universities, but that's not the big \$3-billion one. That's in finance.

**Mr. Greg Orenszak:** Like the minister said, finance numbers would include things like uncollectible taxes, those sorts of payments.

**Mr. Norm Miller:** Uncollectible taxes, is that because the company went out of business?

**Mr. Greg Orenszak:** That would be one example of it. Bankruptcies, those sorts of—businesses winding up, financial windups.

**Mr. Norm Miller:** This \$3-billion number, is that higher than in past years? Is it similar?

**Mr. Greg Orenszak:** We can get that for you, Mr. Miller. I don't have that handy with me at the moment, so we can undertake to follow up on that.

**Mr. Norm Miller:** Okay. Without having seen the numbers that much before, it seems like an extremely high number.

**0920**

You talked earlier about inflation, when I was asking about the fact that inflation in July and August in Ontario was double most other provinces, at 2.9%. I assume that's the result of the HST, seeing as it's timed since the implementation of the HST on July 1. Did you do any studies or commission any reports on the HST and adverse effects such as this, prior to the implementation of the HST?

**Hon. Dwight Duncan:** A range of economists and others did studies. Most of them concluded that it was a very solid and proper policy for Ontario's future. I can refer you to folks as divergent as the Ontario Chamber of Commerce and the 25 in 5 anti-poverty coalition. A number of them took into account what bank economists call the short-term inflation factor in the first months after implementation, which again—the analysts I recall seeing all indicated that over the course of the year that number would smooth out and Ontario's overall annualized inflation rate would, in fact, be very comparable to Canada's.

So yes, there were a number of studies. I'd be happy to provide you with a list of them. Many of them are already publicly known. In fact, one of the expert witnesses you called to hearings similar to this, Professor Jack Mintz, came out very strongly in favour of the harmonized tax policy. He said that it would create tens of thousands of jobs, with lower prices for consumers. Again, he was one of your caucus' expert witnesses at these hearings in past years. I'd be happy to provide you with those studies.

**The Chair (Mr. Garfield Dunlop):** Two minutes, Mr. Miller.

**Mr. Norm Miller:** Yes, and we've seen the Mintz report. That report was done after you made the decision to implement the HST. When the past revenue minister was here at estimates, he said that you were in charge of commissioning reports on the impact of the HST. So my—

**Hon. Dwight Duncan:** Again, I would just stress that we didn't have to commission a whole lot of reports because a whole lot of people did them on their own. I want to stress—and I recall probably about 20 of them, the vast majority of which concluded that the policy would not only help create jobs, but would actually lower taxes for people.

**Mr. Norm Miller:** So did you commission any reports on the effect of the HST? I would think that when you're looking at a policy like this, you'd be wondering about the negative as well as positive impacts.

**Hon. Dwight Duncan:** We had a lot of valuable input from a range of sources, including the Ontario Chamber of Commerce and most leading economists. We made most of those public. I do have to check if we had to pay for any of those. I'll ask my officials to get back to me on that.

**Mr. Steve Orsini:** Just Jack Mintz's.

**Hon. Dwight Duncan:** We did pay for Mr. Mintz's, as I understand it.

**Mr. Norm Miller:** So you paid for it after you made the decision or before—

**Hon. Dwight Duncan:** He long supported it. In fact, he told your caucus and your government that they ought to harmonize the sales tax. He's still curious to know if you're going to undo it, because he would see that as being a very bad decision for Ontario's future economic growth.

**Mr. Norm Miller:** Did any of the reports show that we would lose 36,000 jobs in the first two months of implementation?

**The Chair (Mr. Garfield Dunlop):** I think our time is up in this round. We'll get back to this with the official opposition a little later on.

**Mr. Tabuns,** you now have 20 minutes.

**Mr. Peter Tabuns:** Good morning, Dwight.

**Hon. Dwight Duncan:** Hi, Peter.

**Mr. Peter Tabuns:** I'm going to go on a somewhat different tack this morning. In 2009, Laurel Broten brought forward a resolution that was adopted in the Legislature on corporate reporting, economic and environmental. On June 15 of this year, Hennick Centre for Business and Law and Jantzi-Sustainalytics released a report to you entitled Corporate Social Reporting Initiative, produced with funding from the Association of Chartered Certified Accountants. That report, which looks at corporate disclosure, asked that the OSC clarify existing corporate disclosure obligations to indicate the need to consider the materiality of social issues.

At the time, you were quoted as saying, "The recommendations and discussion set out in this report provide valuable and timely insights on public company social issue disclosure obligations. I appreciate the efforts of those who contributed to this report and look forward to reviewing the recommendations in greater detail."

At this point, there hasn't been a comment back from you or the OSC on the report. Can you tell us today what your response is to that report?

**Hon. Dwight Duncan:** I'll start on Ms. Broten's resolution. That was forwarded to the OSC. I know the OSC is considering its recommendations and believes that they can implement some of it. With respect to the recommendations you cited, I'm going to have to get back to you on that, Peter. I have not been updated on it, but I'll undertake to get you that information.

**Mr. Peter Tabuns:** Is there anyone from the ministry who can speak to that?

**Hon. Dwight Duncan:** I don't think so. Again, I'm going to have to undertake to get back to you. I do know that they are seized of it. As I indicated to you as well, I routinely sign off on recommendations from the OSC. Some of them—I shouldn't say some of them. The vast majority of them are regulatory in nature and some of them are quite obscure. Some of them are pretty significant as well. So what I'll undertake to do is what I

think I did the other day, is get you a list of those changes that have happened since the last set of estimates.

**Mr. Peter Tabuns:** Okay. Can you get back to us and tell us when we will get a response from the OSC and your ministry on this report?

**Hon. Dwight Duncan:** Yes, absolutely.

**Mr. Peter Tabuns:** Can I ask how significantly you, as a minister, see this issue?

**Hon. Dwight Duncan:** Proper reporting?

**Mr. Peter Tabuns:** On social and environmental issues.

**Hon. Dwight Duncan:** I think it's very significant. I think there's general agreement on that issue across jurisdictions. Jurisdictions wrestle with how to do that. As I understand it, there's great debate about how you translate that into measurable and quantifiable outcomes or methods of analysis, and therein lies the challenge. But, yes, as you know, there are a number of initiatives going on around the world with respect to that.

Part of the challenge we have in Canada is that we have effectively 13 securities regulators without a common securities regulator. Quebec, for instance, has a pretty robust regulatory climate around derivatives that I think is the model for Canada. But the problem we have is that with all these jurisdictions' different rules, the so-called passport system makes any of this difficult to enforce. That's one of the reasons we are very supportive of the common securities regulator. We think that this gives us an opportunity—will lend an opportunity—to more clearly define the regulatory climate here in Canada and make it more competitive with the United States, Australia and certainly western Europe.

Candidly, Peter, that is where our focus has been in the last year, although I will undertake to get back to you with the number of enhancements the OSC has done in terms of reporting and also to get you a more complete response with respect to the specific issue you raised.

**Mr. Peter Tabuns:** Can I just ask you—because I don't know fully the statutory relationship between yourself and the OSC—what power you have to direct them and what level of independence they have when they deal with your requests.

**Hon. Dwight Duncan:** They are very independent. We set the statutory framework but we have to rely on them for advice. I meet quarterly with the chair of the OSC. He is an independent regulator. He functions independently of the government. In fact, in recent years, even on the enforcement side, I generally find out when enforcement initiative are taken the same time you do, when you pick up the paper in the morning and read it. Again, the enforcement side rests with the Attorney General, but like law enforcement, securities enforcement is a legal issue and there's a real firewall put up around that.

We meet on a quarterly basis. We talk about regulatory issues, legal issues, but the securities commission—it's not very often that a finance minister would reject a recommendation of the securities commission. We also make a real effort to appoint people to the securities com-



mission who have a very—it's one of those regulatory bodies that requires real expertise. The people who sit on it need to be well regarded in capital markets and also need to be cognizant of those who have interests, and so they act very independently, particularly on the side of enforcement. The finance minister has no window into what's going on in the enforcement side.

0930

Again, I'm not aware of a scenario where a finance minister of any political stripe—or a minister responsible, I should say, for the securities commission has ever overruled. I can tell you that the chair will, if the commission is wrestling with a difficult issue, as a courtesy, seek the government's view. Oftentimes, we have to rely on their advice, just given the highly technical nature of what they deal with.

**Mr. Peter Tabuns:** Useful to know. So you establish and you oversee the legal framework within which they operate?

**Hon. Dwight Duncan:** Yes.

**Mr. Peter Tabuns:** Is your government considering shaping that legal framework to require environmental and social reporting on the part of companies that take part in capital markets in this province?

**Hon. Dwight Duncan:** We've asked them for their views on that and their recommendations. I can tell you, with respect to Ms. Broten's legislation—that one, in particular, they were most keen on.

I do have to get back to you on what aspects they have implemented. I routinely sign off on a lot of changes, so I want to make sure that I give you accurate information. I know in my conversations with the chair of the OSC on that particular issue that they were quite interested and saw it as quite a useful piece of work. I think that's one of the reasons I would encourage all members of the Legislature to take an interest in this. It is, as I say, one of those highly complex fields where governments have to rely on people that they appoint to boards for good advice, as well as the advice of citizens, and change does happen.

I do believe very strongly that at the very highest level, the creation of a common securities regulator in Canada will not only enhance the proper enforcement within securities markets; it'll be more transparent, it will be more efficient, it will allow Ontario and Canada to compete better on the world stage, and it will, I think, as we create the common securities regulator, afford us the opportunity to give greater definition to the types of leading-edge issues that you've brought forward today.

**Mr. Peter Tabuns:** Thank you for that, Minister.

How much time do I have left?

**The Chair (Mr. Garfield Dunlop):** You have 10 minutes left.

**Mr. Peter Tabuns:** Oh, good.

Poverty reduction: You put out a sector highlights report with the 2010 Ontario budget. Can you go through for us the elements of your response to poverty in this province—the social assistance issues, the special diet allowance? Can you tell us what you see as the costs now

and what you see as the targets for the costs for the changes that you are thinking of bringing forward, or have said that you will be bringing forward?

**Hon. Dwight Duncan:** In terms of the broader agenda on poverty, you know that the Premier created a cabinet committee that brought forward a series of recommendations and that also created indices against which we can measure progress, which I think was seen by many in the world as being leading edge. Again, as you know—you probably know better than a lot of people—many of the indices of poverty are debated, and so we brought forward these indices and measures so that we can measure, in an agreed-to fashion, progress or lack of progress associated with initiatives taken by government. I believe that that enhances accountability and transparency.

I do think that we have an obligation to look at all programs. I think that if we have a big program that's not working, we have an absolute obligation to look at it, because if it's not working, that means that money is being spent in areas that aren't having a measurable, positive impact. So I think the next question is, okay, is there something we can do better?

There's been a great deal of debate around the special diet, because of the rising costs associated with it, because of the genuine needs of people who, for a variety of reasons, cannot afford the diet they need to maintain health while they're on social assistance. So we look very carefully at all that, and we continue to look at that. It has grown dramatically, and we're not seeing necessarily all the outcomes we want to. I need to stress that the government has not decided to either discontinue that program or even change it at this point, but I think when you see a program—I think it's grown four times in a very short period—you have an absolute obligation to assure yourself that it is being appropriately used and that it is having measurable results.

We have taken a number of initiatives at a very high level on the tax side as well as on the policy side. We have raised the minimum wage—I think we're at \$10.25 now. Every year, every budget, we have raised welfare rates. They have not gone up as high as some people would like, they have not solved all the problems, but we have made that a consistent policy. We've brought forward a number of innovations on the tax side, including the Ontario child benefit, which is a huge benefit to families, as well as a range of other initiatives for people of modest incomes, not just for people on social assistance but for people with modest incomes. The Premier will be announcing one in about half an hour. We announced it, actually, in the budget, but the Premier will be saying what the specifics of that are.

We believe programs such as full-day learning are extremely helpful to families of modest incomes, in terms of providing full-day learning for their children as well as pre- and after-school daycare. When the federal government abandoned daycare here in Ontario, the province moved in to fill that gap.

We continue to make modest progress on some of these. I think it also needs to be said that what's gone on

in the economy in the last two years will set us back, I think by virtually every identifiable and measurable index of poverty, and we're seeing that, again, around the world.

I guess the final point I would make: We have a number of special programs targeted at aboriginal peoples and First Nations. Even though that is principally a federal jurisdiction, we have attempted, to the best of our ability, to work with our aboriginal communities and to be of assistance there.

In the budget, on page 44, there are the detailed results of our poverty reduction agenda, and I'll just give you the key achievements.

We've expanded the children in need of treatment program, which provides urgent dental and general anaesthesia services, to include children in low-income families from birth to age 17.

We've created Ontario's after-school initiative, which supports after-school activities in high-needs communities.

In terms of social assistance, families and individuals face significant barriers to leaving social assistance for employment, and we have worked to reduce those barriers—sometimes economists refer to that as the welfare wall—by helping people become more financially independent; for instance, allowing full-time post-secondary students who have employment earnings to keep all of their social assistance benefits.

We've changed the rules governing the receipt of earnings so that people can keep a larger portion of their social assistance benefits; extended health benefits to people making the transition from social assistance to employment; and increased the amount of social assistance benefits that parents can keep if they have employment earnings and incur unlicensed child care costs.

We also signed an affordable housing agreement with the federal government in June 2009 to deliver new affordable housing and renovate social housing. As part of the federal-provincial stimulus package, over 3,000 social housing projects have been committed.

And finally, we've provided ongoing funding for municipal rent banks to assist tenants who are at risk of eviction or homelessness.

0940

Again, we've taken what I would call a very broad view; we've taken a number of steps. All of those steps, by the way, involve spending. Even though it's a rule change, the rule change implies an increased amount of money going towards those people in those circumstances.

**Mr. Peter Tabuns:** I will have questions about those, but I'm going to go back to the statement in your Sector Highlights document. The special diet allowance, the SDA, "is not sustainable and is not achieving the intended results. With the help of its partners, the government plans to create a new nutritional supplement program that would be administered by the Ministry of Health and Long-Term Care on behalf of the Ministry of Community and Social Services." Did I misunderstand

you? At this point, are you not going forward with that change?

**Hon. Dwight Duncan:** No, what I said is we haven't made a determination. We are looking at the program to see if we can do it better. If, at the end of the day, we conclude that we can't, then in order to reach the people who need the service we're going to have to continue on. But the minister responsible, who I'll refer the principal question to, is looking at that. We have simply identified a program where we've seen an enormous increase in cost without a corresponding result.

As you review a program, you have to look at it in what I would call a broad fashion. Even if it's not working as well as you want, or it's growing faster than you think it ought to be, then the next question becomes, if not that, then what? Maybe that is the best alternative.

That is always one of the options that are available. I don't think any of us should shy away from looking at any program. No matter how much we think its value is, I think we need to constantly review and evaluate.

**Mr. Peter Tabuns:** So even though this report said it wasn't sustainable—in fact, the analysis has not been finalized. I'm also finding it interesting—"is not achieving the intended results." Were there in fact medical or epidemiological analyses undertaken to see whether or not—

**Hon. Dwight Duncan:** That's part of what we're looking at. What's not sustainable is the rate of growth. You cannot—and this comes back to a much higher level—have government programs growing at four and five times the rate of growth in government revenues. It is not sustainable, unless you take money from somewhere else if this becomes a priority. I think you have an absolute obligation to look at that.

I think most reasonable people do. Governments of all political stripes have had to look at programs and services. When your revenues are growing at under 3% per year, and a range of programs are growing at the rate that that is, the use of the word "unsustainable" is related to how much money we're taking in. If we're not taking in enough or seeing enough growth in revenue on that, whether you're talking—this is what the debate around health care is going to be. The rate of growth in health care across the country: Every finance minister, every health minister of every political stripe in this country—because there are Conservative, NDP and Liberal governments across this country—are all acknowledging that the rate of growth in health care costs is far exceeding the rate of growth in government revenues.

Just in the time since I've been elected—that's 15 years—our dollar spending on health care has gone from about \$17 billion a year to about \$47 billion a year. Some years, our revenue growth keeps pace with that, but in many years it doesn't.

That is part of a much greater debate around sustainability. When the finance officials at the Ministry of Finance look at budgets, they look at things like that.

**The Chair (Mr. Garfield Dunlop):** Thank you very much, Minister. That concludes the 20 minutes for the third party.



With the permission of the committee, because we would have about 20 minutes coming back here tomorrow, I've asked the government members if they would give up a rotation and take their 20 minutes off the total time so that the minister could finish up this afternoon. Do we have agreement from everybody on that? Okay.

With that, then, we'll take away your 20 minutes and we'll now go to the official opposition for 20 minutes, and then the third party for another 20 minutes. That will conclude this morning. Thank you. Mr. Miller?

**Mr. Norm Miller:** Yes, Mr. Chair—

**Hon. Dwight Duncan:** Can I get a coffee? You ask; I'll be listening.

**Mr. Norm Miller:** We'll wait for the minister to get a coffee, as we grill him for another four hours.

Mr. Bailey has a question that he would like to ask that I think comes from his riding's border issue, I guess I would call it.

**Hon. Dwight Duncan:** If he came to the gym in our building more often and was on the elliptical trainer at the same time I was, he could ask me right there.

**Mr. Robert Bailey:** We could talk there. Have a sip of your coffee.

Anyway, Minister, thanks for coming today. Welcome, again. It's always a pleasure to have you here.

This issue affects more than just my riding. I'm specifically asking for my riding, but I know it affects business in your riding in Windsor, in Fort Erie and Cornwall and a number of other duty-free locations across the province that provide a lot of jobs in those local communities.

Actually, I have a little plug. The duty-free organizations are going to be here at Queen's Park tomorrow. They're hosting a reception and they hope to meet as many of the members as they can, and perhaps yourself, Minister.

Their issue, as I'm given to understand it—it's called the Ontario land border duty-free shops organization. They tell me that the arrangement is relatively unchanged for over 25 years, their arrangement with the Liquor Control Board of Ontario and taxation issues.

They gave an example to me. They said they found the Liquor Control Board of Ontario—which I know is a crown corporation, arm's-length and all that stuff. But anyway, I know at the end of the day, if you were to give them some advice, they'd probably listen—the LCBO, I mean. They tell me that in British Columbia, for example, the British Columbia government reduced the markup on liquor to 20% to allow them to remain competitive with their US counterparts. I think they pay somewhere north of 50% here in Ontario, their landed costs.

They're asking for some relief, and I'd just like to make that plea to you. I think you've probably heard from them before, maybe over time, and if you could outline for us why you couldn't do it. Or are you looking at it? I know a number of other members are affected,

like yourself, and Ms. Pupatello would also have those issues.

**Hon. Dwight Duncan:** Yes, I've met with them on a number of occasions and I've written to them and responded to them. I'll undertake to get you a copy of that response.

It is not an easy issue to resolve, given the complexity of how we tax alcohol. Their business volumes have decreased as the border has slowed down, but they still have a licence to sell alcohol and tobacco products and other things which are, generally speaking, fairly lucrative. There are a range of issues, not only from their specific perspective, about how we tax distilled spirits versus beer versus wine, which are very contentious issues within the industry.

There are a range of factors. I'll undertake to get back to you. I have met with them. I speak with them on an ongoing basis. I acknowledge the problems that they are having. They're having problems not unlike our resort casinos, not unlike places like Sarnia, where we hope our American friends will come and spend their money.

Just the sheer decline in volumes of people using the border and therefore using the duty-frees, whether it's Americans going home or Canadians going over to the US, is a difficult issue. We're a little bit concerned that we would effectively be charging less tax to Americans than we do to Canadians, because they're the ones who use these. I think that's a legitimate issue. I think they get that part and I think that the healthy dialogue that we've had is important, but it will not be an issue, in my view, that's easily resolved. BC's taxation structure on distilled spirits, beer and wine is much different than Ontario's.

As I say, I have had the opportunity—I think I met with the folks from Sarnia as well. I think they came to one meeting in my constituency office. I stand to be corrected on that, because I've heard from a lot of them. I will continue to meet with them and continue to work with them. I know they're dealing with difficult issues, as are border communities across the province. I've heard from the folks in Sault Ste. Marie as well.

**Mr. Robert Bailey:** I said that I'd raise it with you today because it's an issue, obviously, as you well understand, and with Mr. Brownell's riding and Mr. Mauro's, as well. So it's an issue.

**0950**

I've got another question, and that's to do with the announcement of coal-fired-generation closures in Ontario. In my particular riding, we have the Lambton generating station. When that announcement was made—I know that was a different ministry, but I know you'll be aware of this—the evaluation of the assessment was reduced immediately, maybe 50%; I forget the numbers. St. Clair township in particular is going to be significantly affected by this, because they had a special arrangement there. As I understand it, the tax assessment went directly to the municipality—the school assessment. It was something that was probably put in place back in the 1960s. Anyway, it's a significant amount of money. It's going to mean maybe \$2 million a year to their bottom line.

Apparently, two new gas-fired generations have been built there, but they're being taxed differently. They're asking for some relief. Maybe we could look at doing something similar. Is that something you've looked at? I'm sure you're aware of it.

**Hon. Dwight Duncan:** I'm certainly aware of it. I was energy minister when we did the two gas plants. I'm not sure if they're open yet.

**Mr. Robert Bailey:** Yes.

**Hon. Dwight Duncan:** They're up and running. I think they actually employ more people than the Lambton generating station.

**Mr. Robert Bailey:** No, there are a lot less.

**Hon. Dwight Duncan:** A lot less? Okay.

I'm going to have to undertake to get back to you on that. Again, there are special property tax relationships involved when you deal with OPG. The two gas-fired plants, as I recall, are privately owned under contract, as opposed to OPG. The bottom line is, we think that those two new plants are important for a cleaner environment in the southwest Ontario airshed.

With respect to the impact on St. Clair township, I'll have to undertake to get back to you on that. I haven't been energy minister for a few years and I haven't looked at that issue, but the one thing I do know as finance minister is that when you've gone from OPG being the taxpayer to these two private entities—I'll have to get back to you on that.

**Mr. Robert Bailey:** Thank you, Minister.

**Mr. Norm Miller:** I'll go back to asking questions to do with reports and modelling you may have done prior to implementation of the HST. The revenue minister was here previous to you being at estimates. He said that his ministry is not responsible for modelling; that goes to the Minister of Finance—and he knew that you were coming up next here at committee. So did you have any reports that you commissioned that indicated what the HST effect would be on the consumer price index?

**Hon. Dwight Duncan:** We had a lot of advice on that issue. Much of it is in the public domain. I'll give you one. For instance, if you look at annex 2 of the 2009 federal budget, dated January 27, 2009, here's what the Stephen Harper government had to say about provincial sales tax modernization:

"Provincial retail sales taxes (RSTs) are outdated and inefficient. They impose a significant tax burden on new business investment and increase the day-to-day operating costs of Canadian businesses. Unlike the goods and services tax (GST), under which businesses receive a credit for the sales tax they pay on their inputs, these costs are subsequently embedded in the prices consumers pay for goods and services. Ultimately, this makes our businesses less competitive, reduces employment and lowers the standard of living for Canadians. Modernizing these harmful taxes by implementing a value-added tax structure harmonized with the GST is the single most important step that provinces with RSTs could take to stimulate new business investment, create jobs and improve Canada's overall tax competitiveness."

That's why, two months later, the federal government endorsed and supported our move to harmonize the sales tax and provided some \$4 billion in transition benefits. I think that, among other reports, is out there and in the public.

Here are some relevant quotes on the impact of the HST on Ontario's inflation. This is the TD Bank, dated August 20, 2010:

"The effect of the HST in Ontario and BC will continue to boost an otherwise moderating headline inflation. Over the course of the next year the rise directly related to the increase in the effective tax rate on consumption will be partially offset by businesses passing through cost savings associated with an input tax credit now available to them on to the final ticket price of many goods and services offered to consumers. The overall expected lift to headline inflation will likely be a much lower 0.4 percentage points."

Most of them—

**Mr. Norm Miller:** So you're—

**Hon. Dwight Duncan:** Just let me finish, because you did ask the question.

In the short to medium term there will be a very, very modest impact but we expect, as do a variety of private sector economists—I will provide you with further quotes from the Royal Bank, BMO Capital Markets, quotes within the Canadian Press and the Bank of Canada. The Bank of Canada is saying, for instance, that it will be 0.3 percentage points, all else being equal, so it has a very modest impact in the initial implementation.

In fact, to the argument that people said that now is not the right time to do it, even those who think it's the right thing to do but it's not the right time to do it, doing it in a period of very modest inflation is actually the right time to do it. I think what we'll see and I think what most of these economists—I will undertake to provide you with all of these quotes—are saying is that over the short to medium term, inflation will basically even out.

**Mr. Norm Miller:** In the comments that you quoted there, you talked about the benefit for business being the fact that they could claim input tax credits so that they would, in effect, pay the tax but get it back, yet Ontario is unique in the way it's implementing the HST in that it's denying input tax credits of over \$1 billion a year—I believe it's \$1.3 billion this year—on certain categories of business costs for eight years.

You're taking away the one benefit that business would get, and that's unique to Ontario, so I would ask you, what was the logic behind—obviously business won't be able to get that tax back so they're not going to be able to pass the savings on to consumers. That's going to result in higher costs for consumers. What was the logic that's unique to Ontario, whether you think the HST is a good thing or not, to denying these input tax credits? It's the one thing that would benefit—

**Hon. Dwight Duncan:** The deficit. You were just talking about the deficit. You're right. It's \$1 billion. We're slowing down the implementation of that. It's a



small percentage of the overall input tax credits that are available.

I'll also remind you that we're cutting corporate sales tax. The general rate is going from 14% to 10% over the next three years. The manufacturers' rate is going from 12% to 10%. The small business rate has gone from 5.5% to 4.5%. We did that because many businesses don't have large input tax credits and we did that in order that Ontario's corporate tax structures could be competitive as well.

The advice we had from many economists was that while a 1% or 2% differential between British Columbia, Alberta, Ontario and Saskatchewan—and New Brunswick I think, at least up until last night, was moving to an 8% corporate rate—meant that from a competitive perspective we had to be there. That, I think, is about a \$6-billion corporate tax cut on top of the input tax credits.

Our colleagues in the New Democratic Party have opposed any corporate tax cuts, saying that they are far too generous. We don't agree with that position either.

This was part of finding the balance. I would have to look into the implementation of the HST in other jurisdictions before I could concur with your analysis that this has not happened before.

It was part of a balanced plan that will see the vast majority of input tax credits applied and also see very large corporate tax cuts that are designed to allow Ontario to compete not only with our sister provinces but certainly with the jurisdictions in the United States that we compete with.

I should point out that the combined Canadian corporate tax rate when this policy is fully implemented here in Ontario will be 25%. When you look at Michigan, Ohio, New York, California, any of those jurisdictions, it's 38%. It gives us an enormous competitive advantage. But we had to implement that, recognizing our responsibility to provide the highest-quality education system in the world, and we're making investments in things like full-day learning—we think that is an important investment; we don't think it's a frill. We don't think education is a frill; we think a high-quality education system is in fact a key component to a successful and strong economic future.

1000

We are continuing to make investments in health care. In my community, I saw a headline the other day that I never imagined I would see. It said that doctors are now looking for patients, as a result of our family health teams and a variety of other things.

So it is about finding that balance. Yes, we are implementing the input tax credit slowly, but we're doing it at the same time as we're cutting corporate taxes. I also remind you that we're cutting personal taxes by some \$10 billion to assist all Ontarians as we transition to this more efficient, more effective tax system that, according to all the experts, will create jobs, will create a more efficient and stronger economy and, yes, will ultimately

reduce prices for consumers. That has been the experience in other provinces that have harmonized.

**Mr. Norm Miller:** So did you expect—in the first two months, we've seen 38,000 private sector jobs lost in Ontario. Is that something you expected prior to implementation?

**Hon. Dwight Duncan:** We have been in the worst economic downturn in the Western world in some 70 years. What we—

**Mr. Norm Miller:** But we're not in recession now.

**Hon. Dwight Duncan:** If you're unemployed, it's a recession, believe me, and if you're in a business that hasn't got back on its feet, it's still—the economy is still very shaky. I don't think anyone can argue that.

I would point out, as Mr. Flaherty did yesterday, that we have recovered—here in Ontario, I think the last numbers—some 85% of the jobs that were lost as a result of the downturn. Most economists who have commented on the most recent job numbers did not attribute it—in fact, I didn't see an economist who attributed it to the HST. In fact, all of the projections—I think Mr. Mintz, again, projected some 600,000 net new jobs over the next 10 years as a result of the more efficient tax system. So we will continue to watch those numbers. They are coming back. I think Mr. Flaherty yesterday made the same point I'm making. It is, again, about striking that balance, making the investments we need to make to help our workers adjust.

But if you're an unemployed Ontarian or you don't have a job or you're not getting overtime or not having the same income, believe me, the recession is not over, even though—I saw Warren Buffett speaking about this yesterday, saying that the traditional economist's measure of a recession, which is two quarters of negative economic growth, just doesn't make common sense. He's absolutely right. I can tell you that among my friends and constituents, even though they may be working, for those who saw their life savings evaporate quickly last year—it has now come back in most cases—there is a lot less confidence overall. So I'm kind of with Warren Buffett on that, and with others like him who have acknowledged the enormous challenges in the Western economy.

I think the policies we've established are the right ones to lead Ontario back to real solid, prolonged growth, with higher employment and better incomes for Ontarians.

**The Chair (Mr. Garfield Dunlop):** You've got about a minute left here.

**Mr. Norm Miller:** Your justification for denying input tax credits, which would be a benefit to consumers and business, for the next eight years is the deficit situation, so my question is, why have you not restrained your spending in the last seven years, where you have gone from a budget of roughly \$70 billion, \$68 billion, to spending of \$127 billion this year? A huge increase. Why have you not restrained your spending in light—you're talking about balance. That's a huge increase in spending. Why have you not been more responsible with your spending?

Also, why is it that in your first budget in government, when you're now talking about reduced corporate taxes,

the first thing you did was increase the tax rate on corporations by 27%, stopping the planned reduction to 11% and increasing the rate to 14%? The first thing you did was increase taxes on small business and corporations—

**Hon. Dwight Duncan:** Your government—

**The Chair (Mr. Garfield Dunlop):** You just have a few seconds.

**Hon. Dwight Duncan:** Your government left a hidden \$5-billion deficit, so we had to—

**Mr. Norm Miller:** Give me a break.

**Hon. Dwight Duncan:** No, I won't give you a break, because those are the facts; that's the reality.

*Interjection.*

**Hon. Dwight Duncan:** You guys, you had no plan—

**Mr. Norm Miller:** You've been very creative and you know it.

**Hon. Dwight Duncan:** —no idea where you were going—

**The Chair (Mr. Garfield Dunlop):** Okay, guys, we're done that round. We'll conclude this morning with 20 minutes from the third party.

**Mr. Peter Tabuns:** Minister, going back to the special allowance, your sector highlights statement said the special diet allowance is not achieving the intended results. Was that based on medical studies of recipients of the special diet allowance?

**Hon. Dwight Duncan:** I'm going to have to refer that to the Minister of Community and Social Services, who has responsibility for the file.

Again, we routinely review all programs, particularly programs that have very large rates of growth in spending. But in terms of that issue, I'll have to refer that to the minister responsible for the program.

**Mr. Peter Tabuns:** And you'd also refer a question to the minister that if they're changing it, they will have medical and epidemiological studies to justify their decision as well?

**Hon. Dwight Duncan:** I'll refer that to the minister responsible for the program.

**Mr. Peter Tabuns:** Okay.

Going on to the other parts of your report here—employment standards officers. You report an additional \$6 million over two years to increase the number of employment standards officers. Is this going to provide a permanent increase in the number of employment standards officers or a two-year increase?

**Hon. Dwight Duncan:** Yes, that's permanent. My recollection, too, is that back in 2004-05 we also increased the number of employment standards officers. My associate deputy minister points me to page 40 of the budget documents: "Opportunities for low-income working adults: Fairness and safety in the workplace are the right of all Ontarians. The government has introduced a number of initiatives aimed at improving the working conditions of low-income working adults. In the 2009 budget, the government invested an additional \$4.5 million annually to increase the number of employment standards officers in the province. In this budget"—this is

the 2010 budget—"the government is investing an additional \$6 million over two years. This initiative will help reduce the backlog of employment standards claims and improve the protection of Ontario's employees, thereby reducing hardships for workers and their families."

So in answer to your specific question, in the 2009 budget we provided a permanent and annual increase of \$4.5 million to increase the number of employment standards officers, and we have provided two-year funding to help reduce the backlog.

With respect to how that \$6 million will be used over two years, I'll have to refer that to the Minister of Labour, but the intention was to create permanent officers and then, now that that's in place, to reduce the backlog that existed.

**Mr. Peter Tabuns:** Did you do an analysis of the volume of income, the total dollar value of income, that that would provide benefit to those who are currently being deprived of their rights? People come to me who have not been paid by employers. You have this in your poverty reduction strategy. What's the dollar value in terms of recouped wages?

**Hon. Dwight Duncan:** Again, I have not seen that, Peter. I'm not aware of that but it may well exist at the Ministry of Labour. I think, at an intuitive level, that would help inform our decisions.

Again, part of the challenge is, many workers, unfortunately, particularly those of more modest means, those who are experiencing challenges, don't always come forward, as you know.

**Mr. Peter Tabuns:** Yes.

**Hon. Dwight Duncan:** So I would assume it's difficult to get a handle on that number. But I'm again going to have to pass that portion on to the Minister of Labour. I've not personally witnessed that. I do know that one of the reasons we made these decisions, one of the reasons that the Ministry of Labour recommended that as an appropriate program to fund, is a result of people who go unpaid.

**Mr. Peter Tabuns:** Okay.

Going on through this document: "Recent achievements.... passage of the Poverty Reduction Act, 2009"—can you tell me what the implementation of that bill costs and what the expected payback is in increased income for people who are poor?

**Hon. Dwight Duncan:** I will have to get back to you with that answer. When we were talking about some of the anti-poverty initiatives that we spoke of earlier, some of the costs are difficult to measure. When you allow more people to qualify for, say, benefits for a longer period, that has a fiscal impact.

1010

**Mr. Peter Tabuns:** Exactly.

**Hon. Dwight Duncan:** We do make those calculations. We do look at the estimated cost associated with those rule changes.

With respect to the specific legislation you referenced, I'm going to have to get back to you. I do know that we look at those issues. Again, we have to be cognizant of



the costs associated with any of those changes, but in terms of the specific question you raised, I will get back to you with greater detail.

**Mr. Peter Tabuns:** I understand that when you make a decision there's a cost related to it, and my expectation is that you will have modelled the cost in advance and that now we will be able to see the cost that you assumed would be generated by the action that was taken.

**Hon. Dwight Duncan:** What my officials will tell you is that that modelling is very difficult.

**Mr. Peter Tabuns:** I don't doubt that for a moment.

**Hon. Dwight Duncan:** And frankly, candidly, that makes decision-making more difficult. In the time I've been in government, I can cite examples where the costs that were projected to materialize from a change in policy turned out to be lower than projected, and I can cite instances where the costs associated have been higher.

But to your point, yes, we do those calculations, we do that kind of modelling, and I will have to get back to you.

**Mr. Peter Tabuns:** Just on the Poverty Reduction Act, one of the things in that act was a requirement for annual reporting on key indicators linked to determinants of poverty such as income, school success, health status and housing. Do you know when we can expect that report?

**Hon. Dwight Duncan:** I apologize; I don't. I'll have to ask the minister responsible.

**Mr. Peter Tabuns:** The act specifies consultation before developing future strategies, including consultation with those living in poverty. Is there a consultation with people in poverty on the special diet going on now?

**Hon. Dwight Duncan:** Again, I'll have to refer that to the Minister of Community and Social Services. I know that she routinely meets with organizations interested in the poverty agenda. I know that she has heard from a number of them on this particular issue. So I assume that is going on, but I'll have to again refer that question to her.

To your point about whether I have met, no, I have not, but that would be the minister's responsibility.

**Mr. Peter Tabuns:** Fair enough.

The acceleration of the Ontario child benefit phase-in period by two years: Can you tell us what that cost the treasury?

**Hon. Dwight Duncan:** It was a little bit over \$1 billion moved forward, as I recall. I'll get you the specific number. That has the effect of putting pressure on the current year as we move forward. The rationale for that was, again, it is a form of tax cut for people of very modest means, and it puts cash in their pockets to assist with the upbringing associated with their children. They, of course, can use that money as they see fit.

We decided to proceed with implementing that more quickly after a couple of years of relatively good growth in the economy. In spite of the huge downturn and hit to tax revenues that we've taken, we decided to maintain that. In addition, as part of the tax reform package that we brought forward that created the HST, we also cut the tax rate on the first \$37,000 of income, which had a couple of effects. Number one, it gave Ontario the lowest

tax rate in that bracket, which means our people of more modest incomes in Canada pay the lowest personal income taxes. It also had the effect of taking—I forget—some 50,000 people off the tax rolls completely. Again, that was aimed at people who are working but with very modest incomes.

**Mr. Peter Tabuns:** Just going back to the Ontario child benefit, because I haven't worked on that file very closely, is any portion of that child benefit clawed back for those people who are on social assistance, and if so, how much?

**Hon. Dwight Duncan:** I'm going to have to get back to you on that. My understanding is, no, it is not clawed back. That is how it was intended to be designed, but in order to make sure that I'm giving you absolutely accurate information, I undertake to get back to you. Let me just—

**Mr. Peter Tabuns:** I appreciate that. Thank you.

**Hon. Dwight Duncan:** If I may, though, I do want to quote from the budget document, page 39:

"In 2007, the government introduced the Ontario child benefit to make it easier for low- to moderate-income parents to leave social assistance for employment, which helps build economic prosperity for the province. In July 2009, the OCB was increased from a maximum of \$600 to \$1,100 annually per child, two full years ahead of schedule. This increase provides benefits to more than 210,000 additional children annually. The government remains committed to increasing the maximum annual Ontario child benefit from the current level of \$1,100 to \$1,310 per child by 2013."

So, right as our economy was bottoming—and if you look at the numbers, you'll see that we think it bottomed right around May-June 2009—we decided to move forward the implementation. It is designed to get people off social assistance or at least to facilitate their coming off social assistance by lowering what some of the experts call that "welfare wall." In effect, it lowers the taxes people pay once they move from social assistance to a job that has modest pay and, in theory, should incent people to move and stay off social assistance.

**Mr. Peter Tabuns:** The recent achievement list that you had here in your report, "changes to social assistance rules to help break the cycle of intergenerational poverty," as you've said earlier this morning, every time you change the rules, there's a cost. Can you provide this committee with your calculation of the cost of changing those rules?

**Hon. Dwight Duncan:** Yes, I can. I don't have them here, but I undertake to bring those back to you.

**Mr. Peter Tabuns:** The expansion of the dental program for children in low-income families: Can you tell us the cost of that—sorry. "It was expanded in January 2009 to include children up to their 18th birthday, as part of a planned investment of \$45 million annually in dental services for low-income Ontarians." Can you tell me what we are spending annually now on those low-income dental programs?

**Hon. Dwight Duncan:** I will get back to you on that.

**Mr. Peter Tabuns:** I appreciate that.

The expansion of the youth opportunities strategy: Can you tell us what you've—am I going to be able to predict this answer?

**Hon. Dwight Duncan:** Yes, I think you are. Those numbers are readily available in the estimates, but I will undertake to get them back to you, Peter.

**Mr. Peter Tabuns:** They will be provided. Thank you.

The implementation of full-day learning for four-year-olds and five-year-olds: First of all, I think it's a good idea to have full-day learning for four- and five-year-olds, but I'll say to you, Minister—and you may well have heard it from your own riding—that I have been approached by a variety of non-profit daycares in my riding who are extraordinarily worried about the services they are going to provide in future for one- and two-year-olds. The four-year-olds were a source of income at a relatively low operating cost. My constituents and my non-profit daycare providers are very worried that their economics aren't viable. Can you tell me at this point how your government is planning to deal with the difficulty that those centres are facing?

**Hon. Dwight Duncan:** That's a legitimate issue. I think the point you raise is accurate. I've been involved in some discussions. I'm going to have to defer part of that answer to the minister responsible, but I will concur with you that the non-profits particularly have raised this issue. As I understand it, the costs associated with younger children are higher than the costs associated—which one would expect—which means that the children that are the least expensive to look after are now going into the full-day learning program. I can tell you that the minister has been meeting. One of the reasons we're implementing over five years is to help manage these kinds of challenges. One of the biggest problems we're going to have is, we don't have enough early childhood educators, so we have to make some investments to train more of them. In my own experience—

*Interjection.*

**Hon. Dwight Duncan:** My deputy is circling something here that must be very important that he wants me to get on the record. Yes, I already spoke about this earlier: When the federal government eliminated 8,500 child care spaces in Ontario, we stepped up with the \$63.5 million for that this year.

But to your broader question, I think it's a legitimate discussion. I think there are challenges. In the case of my son, he was in a non-profit daycare in his school for a couple of years—very well run. The minister, I know, is continuing to engage those discussions. Again, one of the reasons that we're implementing it over a five-year period is to help us deal with those kinds of challenges so that hopefully, overall, this becomes something that is a benefit to everybody and we minimize any challenges.

I always like to think of these things as a problem of success. People of good will, I think, can work through these issues.

**Mr. Peter Tabuns:** When you did your initial commitment to full-day early learning, did you do an analysis of

the costs that would arise from having to support the non-profit daycare centres that faced a very different cost structure?

**Hon. Dwight Duncan:** The ministry provided a range of costs, depending on what the mix of options you put into it would be. Frankly, as finance minister, one of those challenges is that the range of costs—there was a big range of costs. A whole lot of difficult things to determine made it difficult and gave you a range of costs that could be applied. For instance, one would assume that within a school system early childhood educators would see their wages increase, either through unionization or just through the fact that they are now in an environment where they're functioning more as part of a team of teachers. That was a difficult number.

One of the challenges on the capital side was how many schools would need capital money in order to accommodate the physical needs associated with full-day learning, the role of non-profit daycares within the school centre and what the impact would be on them.

That is one of the reasons why we chose a five-year implementation. Our hope would be that over time, as we are able to get a better sense of the total cost, we can move even more quickly on implementation, because we think the program is that important to our education system.

Charles Pascal, in his report, raised a variety of these kinds of issues. Officials at finance working with the ministries responsible then try to put a cost estimate on what this will cost when fully implemented. It is, by definition, difficult, but we estimate what we think the costs at the highest end would be versus the costs at the lowest end. At the end of the day, the key factors that are driving the decision-making around this are what is in the best interests of the kids and what is in the best interests of the system, because we do believe very strongly that this full-day learning program is an essential component of successful learning in Ontario and gives us a competitive advantage.

I guess the best answer I can give you is, one of the reasons we're taking five years to implement—one of the areas we've had concerns expressed to us from is the French school boards, which have had this program for some years. I'm sure you've heard from them as well. Again, from my position, I see these as problems of success, problems of quantifying how you provide a service like this in an appropriate fashion, and then building the resources into your budget that are going to be necessary to do it right.

**Mr. Peter Tabuns:** Can you release to us those ranges of numbers that you've based your decision on?

**Hon. Dwight Duncan:** I'm not sure about that, Peter. Some of that was confidential advice to cabinet. It may not be accessible. Again, I am reluctant to release numbers that are in some instances highly speculative, but I will see what is available and I will undertake to get back to you. Then, obviously, if you're not satisfied, you do have the option to go through freedom of information.

**The Chair (Mr. Garfield Dunlop):** Thank you very much. That concludes your time this morning, so we'll



recess until 3:45 this afternoon or after routine proceedings.

With that, the committee is recessed.

*The committee recessed from 1023 to 1546.*

**The Chair (Mr. Garfield Dunlop):** Good afternoon, everyone. We welcome back the minister to estimates, as well as all the members of the committee and staff of the Ministry of Finance. We will finish up this afternoon. As we mentioned earlier, the government had allowed 20 minutes to be taken off their time so the minister could finish today.

Before recessing, we finished with the third party, which had completed 20 minutes. We'll now go to the government members for a 20-minute rotation.

**Mrs. Maria Van Bommel:** Minister, this is a time of year when a lot of families start to look at extra activities for their children. I know, in talking to constituents in my riding, there's a lot of discussion about the cost, not only of the very expensive hockey but also in terms of activities like music lessons and dance. I know that we have introduced a child activity tax credit, and I was wondering if you could give us a little more information about that particular credit.

**Hon. Dwight Duncan:** Yes, and I think you've hit some of the key points. First of all, it's under our proposed tax credit that parents—and guardians, by the way—would be able to claim up to \$500 in eligible expenses for a credit of \$50 per child under the age of 16 or \$100 for a child with a disability under the age of 18.

This is similar to a tax credit the federal government brought forward, but it's more expansive than that. It does go beyond sports activities to cover a whole range of other things, such as music lessons, arts, cultural things of that nature. That's an important element of it. It's quite an expansive credit.

It's also what the accountants and economists call a "refundable" credit. Basically, what that means is that you will still be eligible for the credit even if you don't pay taxes. So when you file your return, a lot of people wind up getting money back or not owing anything, and you will still get the full amount up to \$50 for a child and \$100 for a child with a disability. What it means when they say it's refundable is that you get it even if you wind up not having to pay taxes. So it helps people of more modest incomes in its design. For those two reasons, it's quite expansive.

There are a lot of questions about what's included and what's not. I'll give you sort of the high-end list: music, dance, art classes, as well as activities with a substantial focus on wilderness and natural environment, language instruction, enrichment or tutoring in academic subjects, and activities with a focus on helping children develop and use intellectual or interpersonal skills.

The criteria for fitness activities would be the same as for the federal children's fitness tax credit. The activities would require a significant amount of physical activity that contributes to cardiorespiratory endurance and to one or more of the following: muscular strength, muscular endurance, flexibility and balance. To be eligible for the

credit, both fitness and non-fitness activities would have to be supervised and suitable for children.

Furthermore, unlike the federal credit, the maximum amounts that may be claimed for the credit would be indexed to rise annually with the cost of living.

The new permanent tax credit would put \$75 million each year back in the pockets of Ontario parents and benefit more than 1.8 million children in approximately 1.1 million Ontario families.

**Mrs. Maria Van Bommel:** As I was saying, it's one of those things where a lot of families are trying to find activities and do things for the children that help their children become well-rounded citizens. What other kinds of initiatives have we got for children in terms of activities and programs?

**Hon. Dwight Duncan:** This credit supplements a variety of those. Some of the programs include our after-school initiative, which provides high-risk communities with after-school programming, and the health communities fund grant, which provides local organizations the funding they need to deliver health promotion initiatives related, for example, to physical activity, sport and recreation.

It also supplements an agreement we have with the federal government to fund sports programs for Ontarians with a particular emphasis on enhancing opportunities for young people, aboriginal Canadians and people at risk.

Furthermore, our government funds the youth science and technology outreach program, which funds projects that allow students to explore post-secondary choices and careers in science alongside leading researchers and technologists.

**Mrs. Maria Van Bommel:** One of the other things that has come up in my riding, and I'm sure it comes up in other ridings as well—last Friday, I had a meeting with the Lambton county group that deals with developmental services. One of the things that they talked to me about was the whole issue of the compensation freeze that was introduced in the 2010 budget. Of course, the question is the rationale, and I'm wondering if you could give us the rationale for the compensation freeze.

**Hon. Dwight Duncan:** Sure. It's all about protecting and enhancing our public services and, by the way, protecting the jobs of those people who deliver our public services. Whether they're in what we call the public sector, people who work directly for the government of Ontario—for instance, people you would see in a driver's licence office, a government office; at ServiceOntario, for people who use ServiceOntario; at the Ministry of Agriculture and Rural Affairs, which I know would be important to the people you represent—as well as what we call the broader public sector, and that refers to the parts of the economy, including hospitals, universities, colleges, schools, where people may work, say, for instance, for the Lambton school board but a lot of the money comes from the province of Ontario—that's what we call the broader public sector.

The policy we've established is twofold. One, we have frozen the wages for two years of what we call non-

bargained employees; that is, people who are not part of a union environment. So, again, it would be management people in hospitals, schools, community colleges like Lambton College, places like that.

We deliberately exempted municipalities because they are a separate level of government with duly elected officials. It also covers OPP. But because we have signed contracts, signed collective agreements, with a whole variety of unions, both directly—those unions that represent workers who work in the Ontario public service—as well as unions that represent people in the broader public service, we chose not to act unilaterally and have begun a consultation with those unions about how we can achieve zero-and-zero. Those discussions are ongoing. In fact, I think they're meeting today, some of the unions. As collective agreements expire, basically, we're looking for a zero-and-zero commitment.

Those are challenging, difficult discussions. Our hope is to bring down the cost pressures associated with rising labour costs. When you look at both the public and broader public sectors, 55 cents of every dollar we spend through the province of Ontario go to wages and benefits. So those discussions are ongoing.

The commitment we've given to those broader public sector agencies—for instance, hospitals—is that we will not fund any increase in wages associated with a new collective agreement, but where there are savings achieved through zero-and-zero, we will leave that money in the local hospital. That benefits the province. That benefits the provincial treasury in that it reduces future cost pressures.

So, taken together, we believe that will help us achieve the expenditure estimates we outlined in the budget. In the first year of our deficit elimination program, we actually are beginning to feel we're going to finish ahead of where we thought we would be.

We are hoping that, working together with the various unions that represent employees—and they include a whole variety of unions: OPSEU, CUPE, the CAW, the Service Employees International Union, ONA, the teachers' federations—they will see the importance of helping us get back to balance without having to do—you know, the NDP government did the social contract, where they unilaterally moved to change collective agreements. They wound up not saving any money.

The Conservative government: We fundamentally disagree with their approach to the public service and public servants. We think public servants are hard-working, good people. We choose deliberately not to demonize them. We think it's important, when you sign a contract, that you honour that. Our hope is that, through these consultations, we will be able to get the assistance of our partners in the public and broader public sectors to reduce the overall pressures on government, particularly over the next two years, as we move back to balance, so that we can do so without doing harm to our important public services like education and health care.

**Mrs. Maria Van Bommel:** Thank you, Minister.

**Mr. Lou Rinaldi:** How much time do I have?

**The Chair (Mr. Garfield Dunlop):** Go ahead. You have eight minutes left—sorry, nine minutes.

**Mr. Lou Rinaldi:** Thanks, Chair.

Minister, I want to talk a little bit about stimulus funding. We worked hand in hand on the majority of the projects with the federal government, and I think we're beginning to see how those stimulus dollars, mostly spent on infrastructure, are paying some dividends as far as bringing our economy back around. I think some experts are telling us that.

**1600**

So two things, Minister, if you can focus on them a little bit: first, some of those infrastructure projects that made a difference and are making a difference; also, there is a deadline on some of that stimulus, and I know some municipalities in my riding and across the province are somewhat concerned about the hard line mostly from the federal side and how we're going to be able to deal with that.

**Hon. Dwight Duncan:** Lou, you're absolutely right. We put together a record stimulus infrastructure package as part of the 2009 budget, I guess it was: \$32 billion designed to help communities through the difficult downturn that we all lived through, creating jobs and doing work, by the way, that's necessary in communities. There are literally thousands of stimulus projects going on across the province right now. You can see them whether you're driving on a highway or a city street, going to different schools and university campuses, colleges. We have worked together with the federal government on these projects.

Rebuilding social housing is another area that we've looked at by, for instance, incorporating energy efficiency improvements and helping to create new affordable housing for low-income families, seniors and persons with disabilities.

Highway projects are going on all over the place, including in Northumberland county and elsewhere, as I know you know. I know that you lobbied very hard to get support for your community.

In a whole variety of municipalities, in transportation, the tourism sector, arenas, libraries—we're upgrading and expanding education and research facilities across the province.

To your point, the federal government has a hard and fast deadline for completion of these projects, which we think they're being a little too hard-nosed on. The Premier has indicated to the Prime Minister, and I've indicated to Mr. Flaherty, that it would be a mistake simply to cut off money at March 31 if projects aren't complete. They have not, at this point, indicated any change in policy. In fact, they've tended to become a little more hard-line in their language. I'm hoping that will change. I know there are a number of municipalities particularly under pressure, that don't feel they'll get projects done according to that deadline, but it remains to be seen.

For our part, we will continue to work with our municipal partners. We think the completion of these infra-



structure projects is important and the cost ought not fall to the municipal property taxpayer because the federal government has insisted on a deadline that, quite candidly, has been hard to meet, even if they are on time with their end of things. There has been so much demand for construction equipment and the materials that go into these things that it's been hard sometimes to get everything done at once.

We'll continue to monitor that and work with our municipal partners, hopefully towards getting the projects completed as close to the deadline as possible but with some flexibility to municipalities with respect to that.

**Mr. Lou Rinaldi:** I really appreciate that consideration. I think it's really important because my concern is, at the end of the day, what do we do with the pool that we cannot fill because we haven't got a finished waterline to it, or an arena without a roof? That would be a huge concern.

Minister, I just want to switch a little bit to talk about a common securities regulator. I know that you and the Premier have been lobbying the federal folks that if we move in that direction, Ontario is a good place to be. Can you give us some insight on our approach to try to get that to Ontario?

**Hon. Dwight Duncan:** Sure. For the benefit of the people in the audience watching on television, a securities regulator regulates stock markets, basically, and some other things. In Canada, that has historically been a provincial jurisdiction, whereas in virtually every other country in the world there is one security regulator for the whole country. So right now in Canada we have 13 security regulators, in 10 provinces and three territories, whereas the United States, Australia—which has a similar federal system—and Germany have a single securities regulator. They regulate, as I say, stock markets. Why this is important: It will enhance the competitiveness of our capital markets, those markets where large sums of money trade for a variety of purposes.

The federal Harper government has proposed a common securities regulator, I believe has passed legislation or—it's introduced; I don't know if it's passed yet. There's been a Supreme Court reference.

**Mr. Pat Deutscher:** Minister, it was tabled and referred to the Supreme Court.

**Hon. Dwight Duncan:** My apologies. It was tabled and referred to the Supreme Court for an opinion on its constitutionality. Ontario is the only province supporting the federal government in that legislation; other provinces are actively opposed to it. Alberta and Quebec are very strongly opposed to it. Some of the other provinces I think could be convinced to be supportive, but they're not there yet. That's a typical Canadian challenge. We think it's important to have this because 80% of Canadian stock markets or capital markets, and bond markets, are right here in Ontario, indeed right here in Toronto.

So one of the things we're saying to the federal government, as they create a common securities regulator—that is, the body that will regulate the sale of stocks, bonds, derivatives, in this country—is that that head-

quarters should be located in Toronto, where the industry is located. That's an important issue that we have been pushing for with the federal government.

The government of Quebec has asked the Quebec Superior Court, I think it's called, to rule on the constitutionality. So what the federal government has done is tabled their legislation and referred it to the Supreme Court to test its constitutionality.

We have reserved the right as a province to participate in those discussions in front of the Supreme Court. I'm not sure when the item will be called. We anticipate what, in the next 10 to 12 months, Pat?

**Mr. Pat Deutscher:** It will probably appear before the court, the speculation is, this next April.

**Hon. Dwight Duncan:** Next April, several months from now. We haven't formally decided if we're going to participate in those discussions, but we have reserved the ability to do so if we decide to.

We believe this is in the best interest of all Canadians, and that's why we are, generally speaking, supportive of the initiative. It will provide for better, cleaner regulation of our stock markets, more transparency, more accountability. Different rules in different provinces add costs associated to move capital around.

Again, the advice to do this has come from a variety of international sources, including other regulators around the world, including the Securities and Exchange Commission in the United States. I believe the central bank, the Bank of Canada, has endorsed the notion of a single securities regulator, as well as the industry itself, which is again, by and large, the largest—I think 70% to 80% of it is headquartered here in Ontario and most of that here in Toronto.

So we'll continue to pursue that, working with the federal government.

**Mr. Lou Rinaldi:** Thank you, Minister. I think my colleagues—if there's any time.

**The Chair (Mr. Garfield Dunlop):** You're just about at your time anyhow. You've just got about six seconds left.

**Mr. Lou Rinaldi:** I guess not. Thank you.

**The Chair (Mr. Garfield Dunlop):** You'll get another chance.

We'll now go over to the official opposition.

**Mr. Norm Miller:** I guess my first question has to do with small credit unions, which I believe are regulated by FSCO, and also the Deposit Insurance Corp. has oversight over the small credit unions?

**Hon. Dwight Duncan:** That's correct.

**Mr. Norm Miller:** I was contacted by a small credit union concerned that they feel that the Deposit Insurance Corp. of Ontario is systematically trying to put the smaller credit unions out of business, that that's their goal. They were saying that they'd been in business pretty much 50 years, have had two losses in 50 years and yet are finding it increasingly more challenging each year to stay in business. Do you know whether this is a policy, whether it's a plan to have fewer or larger credit

unions? Also, perhaps you could tell me if the number of credit unions has gone down in the past few years.

1610

**Hon. Dwight Duncan:** I don't think you could call it the policy of the Deposit Insurance Corp. or FSCO, certainly. There has indeed been a consolidation. We've seen the emergence of I think four or five relatively large credit unions in Ontario that have resulted, as I understand it, from the consolidation of credit unions. No doubt there are some smaller credit unions that are having a difficult time, and it's not just in terms of profitability; it's the ratios of capital, as I understand it, that they have to maintain in order to be in regulatory compliance.

So no, it's not the policy of the regulator, but I think it is fair to say that it has been happening. It's been happening, as I understand it, in many instances on a friendly basis, with larger organizations acquiring smaller credit unions. There's no doubt that there have been smaller credit unions that have experienced difficulty.

**Mr. Norm Miller:** This individual had the impression that they were just—

**Hon. Dwight Duncan:** I think it's fair to say that that is the view of the industry itself. You've seen that movement not only here in Ontario, but elsewhere. You're seeing the emergence even of national credit unions that are based sometimes in—I think the one big one's based in British Columbia now, isn't it?

**Mr. Pat Deutscher:** The consolidated central one has combined with the BC and the Ontario centrals.

**Hon. Dwight Duncan:** That's correct. So that's clearly happening. I don't think it would be accurate to portray it as a policy of the Deposit Insurance Corp.

**Mr. Norm Miller:** So if I talk to this person who inquired of me, I can say it's not the policy of the Ontario government to try to put them out of business; it's just something that's been happening over time.

**Hon. Dwight Duncan:** Yes.

**Mr. Norm Miller:** Is there anything else I should tell them?

**Hon. Dwight Duncan:** No, other than we've done recent amendments to the acts governing the regulation of credit unions, which were supported by the credit union movement, updating the regulations, and we'll continue to work with the credit union movement on any future issues.

**Mr. Norm Miller:** Moving on to the question of bad debt that I was asking about this morning, because the number seemed to jump out at me, that \$3.5-billion bad debt expense, \$3 billion of it being in finance in 2009-10 from the public accounts, I note that in 2008-09 it was only—well, “only”—\$215 million; in 2006-07 it was \$78 million for finance, so this is a huge increase, the \$3 billion. I guess my question is, why such a big jump? Is there some accounting practice change that occurred, number one?

**Hon. Dwight Duncan:** Yes, that's part of it, and it does relate to debt that has been on the books a long time. It doesn't necessarily reflect unpaid taxes for the most recent years. Some of it goes back 10 years, as I under-

stand it. We still continue to try to collect it, but because of accounting changes, and in terms of the requirements of the auditor, as well as what I believe to be the need for clear transparency in terms of what really is collectible, we decided to expense that amount. At the same time, we will continue to attempt to retrieve some of the money.

**Mr. Norm Miller:** Was that connected with the PSAB rule changes?

**Mr. Greg Orencsak:** If I can offer some clarification on the 2009-10 amount, Mr. Miller, it is a larger amount than in past years. It in part reflects the province's expense that is reflected on its books in terms of support that was provided to the auto sector through the course of co-operative efforts of the governments of Canada and the United States, in terms of supporting the restructuring of General Motors and Chrysler. The province's investment in the auto sector was recorded in the 2009-10 public accounts as \$1.3 billion. That is the amount that the province expects to be able to recover. The remainder, between what was advanced and the valuation in terms of the expected recovery, is reflected and is recorded as an expense on the accounts, and that's roughly in the neighbourhood of \$3 billion. That is a one-time event that has been disclosed in fiscal updates throughout the 2009-10 fiscal year, and the 2009-10 public accounts provide an updated valuation of that investment, which is roughly in line with what the federal government has valued its investment in the auto sector at. So that is—

**Mr. Norm Miller:** So it's primarily the auto sector?

**Mr. Greg Orencsak:** It's primarily the auto sector that's driving that one-time increase, in addition to some of the other factors that we've also mentioned.

**Hon. Dwight Duncan:** In effect, with the loans and what we took back in securities, we wrote them off in that year because we didn't know, at the time, how much could be recovered.

I believe the loans have been paid back by General Motors. Of course, to the question of the further valuation, that will depend on the results of the initial public offering of General Motors shares. Ontario and other governments have both preferred and common shares, as I understand it. Once that comes to market, we'll have a better sense of how much can be recovered.

**Mr. Norm Miller:** Also on the question of debt I was asking about this morning, you mentioned the UK. The public accounts indicate that it's held by European nations—I believe it says euros. Would that include Greece?

**Hon. Dwight Duncan:** I'm sorry, can you give me that again?

**Mr. Norm Miller:** On the public accounts, it indicates that there is debt held by European nations in euros. Does that include Greece?

**Hon. Dwight Duncan:** No. I'll give you the breakdown based on your question this morning. I have it now. This is as of September 10 for this year.

We've completed \$24 billion, or 60%, of this year's borrowing program: 54% of that has been borrowed in Canada, in Canadian dollars, in domestic markets, and a



further 46% has been borrowed in Canadian dollars in international markets. The currency and composition of the international borrowing is as follows: US dollar, \$6.4 billion; euro, \$1.7 billion; Japanese yen, \$1.5 billion; Norwegian kroner, \$0.6 billion; Swiss franc, \$0.4 billion; Australian dollar, \$0.3 billion; Hong Kong dollar, \$0.2 billion.

Although my officials tell me it's impossible to compile the geographic distribution of new-issue bond sales, we know that a significant portion of our bonds are sold in the US, China, the UK, France, Germany, Switzerland and Norway.

**Mr. Norm Miller:** Thank you for that response.

Moving on to the pensions, specifically to do with the item in the budget to do with the teachers' pension plan, I note that the amount going towards the teachers' pension plan—the transfers are going up significantly, and it seems to be a trend getting larger each year. In 2008-09, on page 138 of the budget, the transfer was \$50 million; in 2009-10, it was \$255 million; and for next year, it goes to \$525 million. Also, the note at the bottom of the page says that Ontario's matching contributions to the plan grew from \$808 million in 2007-08 to \$1,245 million, or \$1.2 billion, in 2009-10, to \$1.3 billion in 2010-11.

Can you explain to me the agreement that Ontario has with the teachers' pension plan regarding the matching contributions and also these other payments that seem to be going up fairly significantly? They're pretty big numbers we're talking about.

1620

**Hon. Dwight Duncan:** I'm going to ask Steve Orsini, associate deputy minister of finance, to come up.

**Mr. Steve Orsini:** There are two calculations that are done for pension plans that the province is a partner with. One is for financial reporting. We rely on accounting standards for determining how much has to be paid towards, for example, the teachers' pension plan. That's reported every year, signed off by the Auditor General, as what we report for pension contributions.

Under the teachers' pension plan, it's cost-shared 50-50, and part of the increase reported back in the 2009 budget was a result of the market meltdown in the fall of 2008. The investment loss gets smoothed over five years. Every year, you take one fifth of the asset writedown and that gets factored in. What you're seeing is that our contributions are going up in terms of our financial statements because it's showing a cost reflecting the reduced value of the investment loss being taken on to the books.

The second calculation is that every three years we do an evaluation with the teachers' pension and with the other partners to the agreement, and that's done every three years in the valuation. The valuations are done to determine how much cash contributions have to be put towards the pension plan.

**Mr. Norm Miller:** That would be the \$255 million this year and \$525 million next year, so kind of a one-time top-up versus the matching—

**Mr. Steve Orsini:** One, for accounting treatment, is reflected in our financial statements, and for the other

valuation, those cash contributions, depending on the valuation of the day—and that will change over time, every three years or less—where a valuation is done and the province then commits to put a contribution towards it and the teachers increase their contributions as well, it is matched 50-50.

**Mr. Norm Miller:** Okay. There are a lot of public servants obviously, so why is it unique for the teachers alone versus some of the other million public sector workers?

**Mr. Steve Orsini:** In the 2009 budget we actually separated out the changes overall because it was such a significant event back in fall 2008. For greater transparency, we pulled out the pension contributions to show what that impact was on the fiscal plan, and we can refer you to the relevant page later on.

**Mr. Norm Miller:** When you go down on the budget line, further down on page 138 of the budget, pension and other employee future benefits of \$971 million for 2008-09 and \$1.1 billion, the plan for this year—can you explain that one a little bit more for me, please?

**Mr. Steve Orsini:** This looks at every year the province retains actuaries to actually cost out the pension and the additional employee benefits, and they report it as part of the costing related to the total expense. It's an expense showing the cost related to funding those liabilities that are recorded in their financial statements.

**Mr. Norm Miller:** Thank you.

I have a question to do with craft breweries and the Beer Store; that is, I have recently met with some craft breweries, and they are very concerned about the contracts they have with the Beer Store that are kind of arbitrarily being changed and forced on them, and the fees, I gather, greatly increasing. It obviously puts these craft breweries at a disadvantage. I guess my question is, what provincial regulations is the Beer Store subject to and what role does the Ministry of Finance play in approval or sign-off on new contracts developed by the Beer Store, when they obviously have a monopoly on the ability of these small breweries—you know, they don't have too many other places they can sell beer, and it's a big part of their market. What responsibility do you have to ensure that these craft breweries are treated fairly?

**Hon. Dwight Duncan:** Well, the Brewers Retail is, in fact, owned by the large brewers, as you know. It's not owned by the province, though we do regulate it.

I've met with the craft brewers—for people listening, those are small local breweries. You see them all over the province. The issue is the ability to access their product in the stores so people can buy it. I'm going to ask Steve if he can give a little bit more detail on the regulation and try to give the member some understanding of how we interface and what regulations we oversee in terms of ensuring that fairness.

I should say, Norm, in my experience now, this is kind of an ongoing, evolving issue. We regularly interface with all the participants in that industry and are always trying to find that balance.

Steve, if I could perhaps ask you to shed a little more light on that?

**The Chair (Mr. Garfield Dunlop):** Just keep it down to two and a half minutes, Steve.

**Mr. Steve Orsini:** Yes, okay.

There are a couple of additional points to make, in addition to, as the minister pointed out, the agreement that the Brewers Retail has with the individual craft brewers, as they do with all beer companies that sell through the Beer Store.

What the province has been doing is supporting craft brewers in a variety of different ways. We have a lower tax rate for the microbreweries that's provided some significant benefits. In addition, the province introduced last fall a corporate tax refundable credit for the small brewers that grow beyond the threshold; so it allows them to continue to grow and expand. This is on top of the marketing support that the province has provided to the craft brewers, which allows them to advertise and to sell their products. All those help support the craft brewers to expand their markets and create jobs throughout Ontario.

On the relationship with the Beer Store, we've met with the craft brewers and they've undertaken to have a dialogue with the Beer Store to ensure that the agreement reflects the latest perspective from both parties. We're awaiting the outcome of those discussions.

**Mr. Norm Miller:** I know that one of the companies I was speaking with said that there used to be a requirement for written notification and there were express timelines, and now the new contract allows for arbitrary increases in fees. It's kind of one-sided, without any say on their side, and they're concerned about that.

We're probably just about out of time—

**The Chair (Mr. Garfield Dunlop):** Yes, you've just got a few minutes to finish up there.

**Mr. Norm Miller:** Does the government have a role to regulate this contract?

**Mr. Steve Orsini:** There are certain things that the province is responsible for in terms of display and sales. On the actual agreement itself, that's something that we don't provide direct mediation and support for. It's really between two independent parties, but we have asked them to provide a review and to report back.

**The Chair (Mr. Garfield Dunlop):** Thank you very much to the member from the official opposition. We'll now go to the third party, please.

**Mr. Peter Tabuns:** Dwight, if we could go back to pensions for a minute and touch back on the Nortel issue, in the Arthurs pension report there was a recommendation for an Ontario pension agency. Recommendation 5(2) reads, "The Lieutenant Governor in Council should establish an Ontario pension agency to receive, pool, administer, invest and disburse stranded pensions in an efficient manner."

Given the Nortel and AbitibiBowater experiences, why is that this recommendation has not been implemented?

**Hon. Dwight Duncan:** I think another recommendation you see talks about the risks associated with that for government and doesn't completely articulate how the government should assume those risks, because essentially when that happens you will have, as in the case of Nortel, a large pool of money—it's \$2.5 billion—but it's not enough to cover its liabilities. Part of the challenge is, who becomes responsible for that? It is our view that in order for there to be take-up from a financial institution or others around that, the government would have to provide a guarantee of some form. We did not act on that particular recommendation from Professor Arthurs because of the ambiguity around how those liabilities would be paid for.

**1630**

We did honour the pension benefits guarantee fund. We put \$250 million into that fund in order to protect the first \$1,000 a month of income for Nortel pensioners. It does cover a substantial number of those pensioners.

Basically, then, what has to be resolved is, if you were to create an organization, government-run or, as the Nortel pensioners have proposed, to be run by a private sector partner, you basically would be assuming liabilities associated with lack of proper funding of what is in essence a private pension, and asking the taxpayers to assume whatever residual damage has been caused by that. That has a very substantial price tag. It would have, I suspect, enormous consequences for the provincial budget, the provincial public accounts, because it would become a liability. So with every fund that goes in there that's underfunded, which presumably these would be in many instances, there would be large liabilities that are not properly funded. The question would then become, do taxpayers assume that liability, which could be a fairly expensive proposition?

Given the fact that some 70% of Ontarians don't have a pension, we weren't prepared to embrace that notion that the individual making \$12 or \$13 an hour with no pension, through their tax dollars, should be supporting that beyond the legal undertakings that successive governments of all political parties in this province have given through the PBGF, even though it wasn't properly funded. We didn't think that was clearly defined and, accordingly, chose not to move in that direction.

We do have a system now that provides for an administrator that's appointed. This is what's going to happen with Nortel subject to the final review that the Premier and I have undertaken to do.

The proceeds still, in effect, belong to the pensioners. The money will be invested in annuities, which is a very conservative format for investing. One understands the concerns associated with that. However, the other side of the issue is the risk associated with putting those proceeds into higher-risk investments.

In the case of Nortel, a financial institution has not come forward to offer to take up this challenge. We have seen lots of expressions of interest, but inevitably, given the fact—any institution undertaking this would be essentially agreeing to run an unfunded pension that can't



pay its existing liabilities, so they would inevitably want some kind of backstop from the government, and there's no guarantee, in our view, that pensioners would be better protected by that proposal than they would be simply by the use of these annuities.

Phil, did you want to add anything to that?

**The Chair (Mr. Garfield Dunlop):** Do you want to come forward?

**Mr. Peter Tabuns:** If you could come forward, introduce yourself and comment, I'd appreciate it.

**Mr. Philip Howell:** Philip Howell, CEO of FSCO and superintendent of financial services.

The minister has captured the main points of the issues here, but let me just go back to this orphanage concept that you raised—

**Mr. Peter Tabuns:** Mr. Arthurs.

**Mr. Philip Howell:** In the context of the Arthurs recommendation.

It's important to understand what he was really suggesting there, and it's quite different than the spin that's being put on it by the NRPC, or at least as it has been interpreted in the press reports. He was proposing a way to deal with situations where underfunded plans, by virtue of the PBA, are forced to be wound up. We'll leave aside all of the legislative hurdles—and there's a tremendous number that would be required to enable that kind of concept to be put in place. The more important part in his concept is that they're really taking the funds that exist at the time of what would have been a windup that are in the plan, but the members would bear all the risk of the potential future earnings there. There's no discussion about a government guarantee for the downside. There could of course be an expectation on the part of members or others that that would come, but that's not really part of the proposal that was in the Arthurs model. So there was considerable risk that would be borne downside and potentially upside if it was implemented after all the changes to the PBA and so on were put in place, but definitely there was downside risk attached to that. This contrasts with the existing PBA approach with the PBGF, where there is some certainty that's provided by the PBGF top-ups.

**Mr. Peter Tabuns:** I'm going to comment, if you would stay for a minute. As I understood that recommendation, it's not that different from what you have just said to me, that in fact an arm's-length organization would be set up to deal with these orphan pension funds, somewhat like the Ontario Securities Commission now deals with securities investments. The government of Ontario is not sued when a derivative goes under. The OSC tries to protect people from poor investments and poor information. Arthurs was suggesting that if you have a fund that comes along—a company has gone bankrupt, their fund's in a bank, they are not adequate to meet all the liabilities—but set up a facility that would allow management of these funds to the greatest advantage of the people who are to benefit from them.

I didn't understand, from this recommendation—there may have been a misunderstanding between us, but I

didn't understand that this was Mr. Arthurs saying you have to guarantee all these funds. He was just saying, "Have a facility in place to manage them when they come forward." You've come to the conclusion that the risk in that is too great, that you can't protect out of the province or the pensioners from that. But Mr. Arthurs clearly felt that that was a rational, businesslike way to approach the problem that we're all facing.

**Hon. Dwight Duncan:** The—go ahead.

**Mr. Philip Howell:** I was going to say I'll let the minister answer the issue about the government's determination on policies. But just to clarify the key point that I was trying to make, which is that it's to the advantage or disadvantage of the members, because in his proposal, there's an implicit assumption that somehow the investment returns would definitely go up over time.

It's important to also remember that in his proposal they could go down and all of that downside would be borne by the pensioners under the Arthurs proposal. Of course, the PBGF and so on wouldn't be applied—

**Hon. Dwight Duncan:** Which is why many members of the Nortel plan, particularly disabled people who haven't yet begun to collect their benefits, were not supportive of the proposal put forward by the one pensioners group: because it would result in a riskier portfolio. So anybody whose pension is \$1,000 or lower on a monthly basis would likely not support that because it would put at risk the principal that still remains—I don't know if that's the right word, Phil—the capital that still remains in the assets that remain in the pension, the \$2.5 billion. It wouldn't have been too long ago that Nortel stock would have been in pension plans, when it was trading at \$124 a share. I'm sure at one time, some pensions held Bre-X stock.

1640

So it becomes a question of the risk associated with the investment profile of those remaining assets that are in the pension fund. That's why there was not unanimity among the employees. We can quibble about who was for and who was against and so on, but on balance, Professor Arthurs's recommendation contemplated that pensioners would assume all the risk, downside and upside, associated with these.

The final point with the Nortel pensioners: It is our view that a financial institution has not been forthcoming with an actual proposal because they would likely require some kind of guarantee or backing from a government. You mentioned AbitibiBowater as part of a plan that was put to the federal government. They refused to provide that backing.

Another challenge, by the way, we have with Nortel is that I believe there were Nortel employees in 10 provinces, and this kind of initiative would have to have the undertaking—back to our discussions around financial regulation—the agreement of all those provinces where there are employees, as well as changes to the federal Income Tax Act and the federal Bankruptcy Act. I'm not aware of any other jurisdiction that has something similar to this in place. I know there was experimentation in the

United Kingdom; I have presented already some answers that show that that was not a particular success.

I guess, when you boil it down to the essence of the question, because the company is gone, there is no longer a plan sponsor, so the assets that are left over, how should they be invested? Should they be invested in a riskier portfolio to try to recoup some of the losses, which I think some would call a moral hazard, or should they be put in a very conservative instrument, with an independent administrator, which is what has been created at Nortel, and strive for protection of those assets so that, hopefully, many pensioners will not see a large reduction in their pension and won't risk further erosion of the assets that are in the plan?

**Mr. Peter Tabuns:** You don't need to leave, because my next questions deal with the property and casualty insurance sector—no offence, Minister—if you don't mind my asking you to stay on.

**Hon. Dwight Duncan:** It will give me a few minutes off.

**Mr. Peter Tabuns:** In the property and casualty insurance industry, the two major sources of revenue are underwriting income and investment income. I'm assuming that's correct. Nodding of the head shown in Hansard as agreement.

Can you tell me the approximate percentage of revenue flowing from underwriting as opposed to investment income in P&C in Ontario?

**Mr. Philip Howell:** We can get back to you with those details. They're published by OSFI.

**Mr. Peter Tabuns:** So you can provide that to the committee?

**Mr. Philip Howell:** We can provide that info, yes.

**Mr. Peter Tabuns:** Can you give me a sense of the trend lines for both investment and underwriting income in the past 10 years or so, and more specifically, the trend lines in the past two years?

**Mr. Philip Howell:** We can provide a detailed answer on that as well. I can tell you that neither of them are consistently up.

**Mr. Peter Tabuns:** Right. Which contributed more to the pressures that have led to recent program changes?

**Mr. Philip Howell:** In the case of Ontario, what has been driving the costs have been underwriting losses, which have been mammoth. In particular, it has been the underwriting losses on the accident benefit side of things.

If you're looking in terms of cycles over time, obviously the P&C industry, like many others, would have been impacted by investment returns coming out of what happened in 2008-09. Those returns on the investment side have been recovering as markets have been recovering. In the last few years, the underwriting losses have been steadily increasing.

**Mr. Peter Tabuns:** Okay. So you've had pressures, in fact, from both ends.

**Mr. Philip Howell:** Yes.

**The Chair (Mr. Garfield Dunlop):** You have a couple of minutes, Mr. Tabuns.

**Mr. Peter Tabuns:** Thank you, Chair. I appreciate the warning.

From your perspective, can you give me the pros and cons of putting in place a pure no-fault system in Ontario? I understand we have a threshold approach now. What are the arguments for and against a pure no-fault approach?

**Mr. Philip Howell:** That would be a government's choice to make. I'm just the regulator. We take the system that's in place and then we regulate it.

**Mr. Peter Tabuns:** But as a regulator who must work with the insurance industry and must be fully aware of the state of the insurance industry across Canada—my guess is you talk to your colleagues—what do you see as the pros and cons of a pure no-fault system?

**Hon. Dwight Duncan:** Peter, I think you're being unfair. You're generally a very fair guy. That's a question that properly rests with me—

**Mr. Peter Tabuns:** Then I'm happy to ask you, Minister. Go ahead.

**Hon. Dwight Duncan:** We haven't looked, candidly, at that in this round of reforms. There's a body of literature, there's a body of opinion on either side of the issue of the challenges with no-fault, and public auto insurance as well. In this set of reforms we did not look at that issue.

We've had, over the course of the last seven years, a pretty good record on auto insurance rates. The underwriting costs did grow substantially, as the regulator has reported, so we moved to address those.

I would want to go back to have a look at the transcripts in Hansard around the debate when this system was put into place to review all of the pros and cons. I was a young staffer around here at the time, but I don't, frankly, recall all of the issues. Suffice to say that at this point and in this round of reforms, we did not consider that broader question.

**The Chair (Mr. Garfield Dunlop):** That's your round, Mr. Tabuns. We'll now go to the government for their 20 minutes.

**Ms. Leeanna Pendergast:** Minister, my question is also about auto insurance. On September 1, you announced new reforms for auto insurance, so I have a two-part question. I'd like to know if you could please elaborate for us the changes in these reforms for auto insurance. The second thing that I'll be asking you is if you could explain for us how these reforms protect consumers. First, about the announcement on September 1, the new reforms for auto insurance, if you could elaborate on the changes, please.

**Hon. Dwight Duncan:** Absolutely. As you pointed out, Leeanna, there are a number of measures that we've put in place to help protect consumers. First, objectionable quoting practices are prohibited. That includes the use of credit scoring, delays in providing quotes, requiring written applications for quotes and certain screening techniques that were used by some companies. We have also expanded the definition of "catastrophic impairment" to include single-limb amputees.

We are introducing a new streamlined process to get treatment started quickly for claimants with minor



injuries. No element of a risk classification system would use past claims for which a driver is 25% or less at fault.

We're making the existing statutory appraisal process under section 128 of the act mandatory on insurers for property damage claims, if the consumer prefers this process over the courts.

We are also amending regulation 283/95 to make it more difficult for insurers to deflect claims and to ensure that claimants receive accident benefits while the issue of liability for a claim is resolved.

#### 1650

We're amending the Ontario standard auto policy to provide a limited amount of additional coverage for vehicles with a gross vehicle weight rating over 4,500 kilograms.

We're providing consumers with more choice by reducing the minimum coverage for medical and rehabilitation benefits, attendant care, deductibles on court-awarded compensation and a direct compensation property damage deductible. Consumers would have an option to increase any of these coverages—and I should say that the minimums are the same as, and certainly not lower than, what is seen in most other parts of the country.

Furthermore, we're requiring insurers to provide claimants with a benefits statement every two months following an accident, indicating the amounts paid to date and the remaining amounts available for medical rehabilitation and attendant care benefits.

**Ms. Leeanna Pendergast:** Thank you, Minister. My next question has to do specifically with jobs and the recession—I had a constituent come in on Friday—specifically in my area of Kitchener and the townships. Ontario workers are still suffering the negative effects of the recent economic downturn, and it would be very helpful, Minister, if you could explain for us what the government is doing to help these Ontario workers who are still struggling during the economic downturn, please.

**Hon. Dwight Duncan:** Sure. Through our Open Ontario plan, we're building on existing enhancements to important programs and services while focusing resources on areas which will open Ontario to new ideas, new economic growth and jobs. We are continuing to invest in the knowledge and skills of Ontarians through post-secondary education, skills training, job programs and full-day learning as the province makes the transition to a knowledge-based economy.

Already, more than one million Ontarians each year rely on Employment Ontario for help finding work and receiving job training. Our Second Career strategy alone will enrol about 30,000 additional clients over the next two years, bringing the total number of people helped to nearly 60,000 yearly. In addition, post-secondary education remains a top priority, and the government is investing to add 20,000 new post-secondary spaces in 2010-11 alone. It will also ensure that there is a space for every qualified Ontarian who wants to attend while increasing international student enrolment by some 50%.

I guess the higher-level answer I would give is that virtually everything we have done in the last two years has been about jobs and about helping Ontario get through what arguably has been the worst downturn since the Great Depression. Our investments in education, we believe, are part of that longer-term response to make sure that we are training the workforce we need for the jobs of the future.

In the more immediate term, I think Second Career best represents the kinds of investments we've made. Initially, when the program was set up, we were surprised that we didn't have as many applications as we thought we would. We then adjusted and moved forward. We got a whole bunch more and, in fact, had to expand the program; and I have provided additional funding in this year's budget for that.

That is taking people who are displaced from their work and giving them the opportunity to go back for training—not just for training, but to help them with their other costs of living. It's very difficult, for instance, for a woman or a man in my age category, in their early 50s, who might want to go back to acquire a new skill. This will give them the opportunity, plus some income to be able to continue to support their family while they do that retraining.

We've also had a range of programs that have been designed to encourage new investment in Ontario through the business sector; AMIS and the Next Generation of Jobs Fund come to mind immediately when I think of that.

Our entire tax reform package is designed to create jobs. Jack Mintz, a well-known conservative economist, as I indicated this morning, was actually a witness here on behalf of the Conservative Party of Canada—actually, at SCFEA. He came and testified that the HST, the harmonized sales tax, was probably the best thing any government could do for jobs. I think that's why a variety of industry groups—manufacturing, forestry, some of the sectors that have been hardest hit; and the Ontario Chamber of Commerce—advocated so strongly for this policy.

So everything we're doing is about jobs. It's about helping Ontario families weather this storm. What I've seen in my own constituency and in my travels across the province is not just people who have lost their jobs, but it's also about families that have seen their income erode. Maybe one of the spouses isn't getting as much overtime as they used to; maybe they saw their RRSPs decline by 40% or 50% in the span of several weeks and, even though they've come back, it was kind of a wake-up call that things can change very quickly and has contributed to a sense of uncertainty that wasn't here prior to the downturn.

As I said, and as Warren Buffett said, even though we're technically out of the recession in terms of what an economist would define a recession as, we still have far too many people in Ontario who need work, and we will continue to build on these programs.

When we made the choice, for instance, to go into deficit, as governments around the world did on the rec-

ommendation of the OECD, then the IMF, the International Monetary Fund, we chose deliberately to do that to help encourage job growth as we construct infrastructure, which is all about jobs in the short term.

We're trying to take both approaches, looking at the immediate problem. When we talk about eliminating the deficit, the deficit was created in order to respond. It was a deficit created in Canada, in Ontario. Interestingly, in the United States there are legal and constitutional restrictions on states borrowing, and you see the absurd scenario where the government of the United States is spending billions on stimulus and the flipside, where states are laying off police officers, closing schools, paying workers with IOUs because they can't run a deficit or borrow. A number of noted economists, Paul Krugman and others, have spoken of that irony—I guess, sad irony, if you will.

When we talk about getting back to balance, we need to bear in mind why the Canadian government, the government of Ontario, the government in virtually every province in this country, governments in western Europe and elsewhere went into deficit. It wasn't because we want to spend money; it's not because we wanted a deficit. It was based on the best advice from the best economists in the world, and we've tried to do it in what I would call a manageable and meaningful way to create jobs in the short term and allow us to maintain and enhance the public services that people value such as education and health care.

**Ms. Leeanna Pendergast:** Thank you very much. Mr. Brownell?

**Mr. Jim Brownell:** I first of all want to say that my question will relate to pensions, but we've had a very good outline of your take on the Nortel situation and you've outlined that clearly here. You recently announced that the government is proposing a broad set of reforms, a package of reforms, that will be released this fall that will strengthen the pensions of Ontarians. With that in mind, I wonder if you could tell us a little more about the proposed reforms; what effect they will have on ordinary Ontarians, especially those who are not part of pension plan packages.

**Hon. Dwight Duncan:** Sure. Jim, the last time Ontario reformed and updated its pension laws was over 20 years ago, in the 1980s. Of course, a whole lot has changed since then.

In 2007, my predecessor, Greg Sorbara, asked Professor Harry Arthurs to lead a consultation on what constitutes pension reform and what we need to do to update our pension laws and our pension regulations to ensure that we have a robust regulatory system for those pensions. The previous government brought forward Bill 198, which they wound up withdrawing because it ran into so much opposition, so we were determined to try to find a balance between employers and employees who are involved in pensions.

To your point, this only affects those people who have a pension. It's principally around what are called "defined benefit plans," that is, a pension plan where a

member of the plan knows what their monthly income from a plan will be when they retire and whether or not it's indexed. It really involves—about 30% of Ontarians have a pension of that nature. I think it affects about 54% of households. There would often be households where one spouse will have one and the other won't. That's kind of the ballpark numbers.

**1700**

Professor Arthurs spent two and a half years consulting a broad range of stakeholders across Ontario and produced a report; I think there were 144 recommendations in total in that report. We received the report and then got further input on those recommendations to allow groups to respond to the recommendations.

Very cognizant of the controversial nature of some of the changes, we chose to segregate out a number of options that were considered less controversial. They weren't without controversy, but they weren't deal breakers either for the employer community or the employee community. I brought forward legislation. I think that was Bill 237. There were approximately 42 recommendations, and I must say it was passed unanimously by the Legislature. All three parties endorsed that. I think it's a tribute to all the parties in the Legislature.

We were left with the balance of Professor Arthurs's recommendations. Again, we departed from the way things are normally done. Rather than simply tell people what we were doing by introducing the legislation, in the latter part of August I announced where we had landed on a variety of the more controversial items prior to introducing the legislation, again in order to give stakeholders the opportunity to input and participate in yet another round of dialogue as we moved forward.

At the very high level, we believe that the changes—and I'll be introducing legislation very soon to give effect to what we've announced—will strengthen Ontario's pension funding rules. We're clarifying pension surplus rules and providing a dispute resolution process to allow members and sponsors to reach agreement on how surplus should be divided and provide a more robust pension guarantee fund.

The government is committed to modernizing the pension system to continue to balance the concerns of workers, retirees and employers. I failed in my earlier comments to distinguish between current workers as opposed to retirees from the same organization. Oftentimes they have different views on how these things should be regulated.

We will be continuing our call for a modest expansion of the Canada pension plan. This is the broader issue—what I prefer to refer to as post-retirement income because, again, only about 30% of us have a pension. Part of this overall discussion has to involve Canada pension and what we believe is needed in that are modest enhancements to Canada pension.

The proposals we've addressed are 37 of Harry Arthurs's recommendations. When you add that to the 42 in Bill 237, we have responded to 80 of the 142 recommendations in the Arthurs report—I said 144; it's 142—



or about two thirds of the 120 of those recommendations that are within the purview of government. So, of the 142, about 120 are in the purview of government, and we've responded to about two thirds of them.

I should say that we have not rejected outright any of the recommendations at this point, but what we have said is that these are the ones we are moving on at this point in time. My hope is to bring that legislation forward very shortly, introduce it, and hopefully the Legislature will have the opportunity to deal with it in this session of Parliament.

**Mr. Jim Brownell:** Thank you. I think there's a few more minutes, so I'll move on to provincial-municipal relations.

*Interjection.*

**Mr. Jim Brownell:** Four minutes.

In my past life, I served 14 years on municipal council and had many opportunities to have relationships and to work out agreements and whatnot with governments. I know in the past few years our government has certainly done a lot to provide our municipal partners with significant investments. I'm wondering if you could describe some of the funding initiatives that we've carried out and how they benefited the municipalities.

**Hon. Dwight Duncan:** We've done so in a variety of methods, really, since we came to office, reversing the trend where the previous provincial government had downloaded costs to municipalities without consideration as to how programs would be supported. For instance, we've uploaded the municipal share of social assistance benefit program costs from the property tax base. The McGuinty government will have increased ongoing annual support to municipalities to over \$3.8 billion by 2018, when this program is fully implemented. This represents an increase of more than 250% over the support provided in 2003.

In 2010, Ontario began the phased upload of the Ontario disability support program, or ODSP, and Ontario Works benefit costs. This builds on the previous uploads of the Ontario drug benefits in 2008 and the administration component of ODSP in 2009.

At the essence of this is the ability of the property tax base to support these programs as compared to the broader tax base that the province has at its disposal. That's why we strongly opposed the download of these programs to our municipal partners by the previous government. That is why we undertook to upload, and that is why we have kept that promise and made very substantial investments, as well as a variety of other, I think, very meaningful initiatives undertaken at the municipal level, including what we call the municipal round table, where we actually consult—

**The Chair (Mr. Garfield Dunlop):** Just under a minute, Minister, to finish up.

**Hon. Dwight Duncan:** I'm sorry?

**The Chair (Mr. Garfield Dunlop):** Just under a minute here.

**Hon. Dwight Duncan:** Oh, okay.

To date, we have invested more than \$1.7 billion for communities across Ontario to fund more than 2,200 key

municipal and community infrastructure projects. We've also provided \$1.1 billion directly to municipalities through the Investing in Ontario Act, 2008.

Since 2004, we have been sharing gas tax revenues. That has amounted to, I think, over \$1.6 billion since that time for our municipal partners. We will continue to do that. We will continue to make those commitments and invest in public transit, building on the nearly \$9.3 billion that we've provided for public transit and for municipalities across the province since 2003.

**The Chair (Mr. Garfield Dunlop):** Thank you very much, Minister. That takes us over to the final round, and we've got about 14 minutes each in the final round. That will take us through to the voting time.

**Mr. Norm Miller:** Thank you, Mr. Chair.

I have a few different questions that I'd like to ask. Just following up on the last question I was asking the last time I had an opportunity to ask questions, I was asking about the agreement between the craft breweries and the Beer Store and you said that you're facilitating talks between the Beer Store and the smaller craft breweries so they could come to some sort of amicable or agreeable agreement. But if they can't come to an agreement, what will you do?

**Hon. Dwight Duncan:** I'll cross that bridge when I come to it. I think it's in both parties' interests to continue to negotiate. I believe the system has been working fairly well over the years. There have always been points of departure. We'll continue to work with the craft brewers. Steve pointed out a couple of initiatives that I had forgotten about that we had undertaken last year to assist craft brewers. Again, for the people watching, those are the small, local breweries that are so familiar to us in our home communities.

We'll cross that bridge when we come to it, but, again, I would urge both sides to continue to negotiate.

**Mr. Norm Miller:** So you'll monitor the situation, at the very least?

**Hon. Dwight Duncan:** I can assure you that both my officials and I are in relatively frequent contact with both sides. We deal with Brewers Retail and the brewers on a range of issues. I must say, it has been a while since I've spoken formally with the craft brewers, but we will continue to monitor it.

**Mr. Norm Miller:** Very well.

Now, switching topics to the question of balancing the budget, one of the biggest costs is health care. The actual public accounts for this past year show that health spending from 2008-09 to 2009-10 rose from \$40.7 billion to \$43.1 billion in the year. That's over an 8% increase in health care spending.

Health plan from the budget to balance the budget by 2017-18, which is a fair ways out there, counts on annual growth in program spending at an average of 1.9% per year. Obviously, that's quite a change from over 8% that you experienced in the last year, so how are you going to do that?

1710

**Hon. Dwight Duncan:** Well, we have a variety of mechanisms. As you know, we took strong measures this

spring to lower the cost of prescription drugs for Ontarians, which was well received across the province. That's an example. The use of a whole range of things—and I'll let the Minister of Health address those specific questions, but I will acknowledge this: Those are aggressive targets in the context of the reality of health care. We've had years when health care had been up 8%, I think, in recent years. You'll see some years when it's been 4% and 6%. The point is, it has risen beyond the rate of growth in government revenues and rate of growth in the economy on a continual basis across the entire period of time I've been here.

One of the key items that will be important to the province is the willingness of the federal government to extend the health agreement, the health accord, that was reached, I think, in 2006—

**Mr. Greg Orenszak:** In 2004.

**Hon. Dwight Duncan:** I'm sorry, 2004—where they are transferring to Ontario some \$14 billion. That expires in 2013?

**Mr. Greg Orenszak:** In 2014.

**Hon. Dwight Duncan:** —In 2014, and will be crucial to our ability to sustain health care in Ontario. This is a concern to finance ministers and health ministers across the country. To date, we've not had confirmation from the federal government on whether they will be prepared to make that undertaking again.

That would be an important matter where I know, with your contacts and friends in Ottawa, we could count on your support. At least I hope we'll be able to count on your support.

My hope is that we can begin to seriously address the post-current agreement world sooner rather than later. It will be important, most importantly to Ontario families, to know that they will have access to the highest-quality health care around and that the federal government will continue to play a role in helping to finance that.

**Mr. Norm Miller:** Minister, I note from your public accounts that the trend with federal transfers to total revenues has been increasing: from 16% of 2007-08 to 17.1% in 2008-09 to 19.4%, so it seems like there's been an increase in federal revenues being transferred.

I'd now like to switch to the Ontario Lottery and Gaming Corp. There was the Auditor General's report on expenses, where Ontario Lottery and Gaming wrote to the then minister, asking if they were supposed to abide by the expense rules. They didn't receive a response back from the minister, so they assumed that meant they didn't apply. We saw in this report that they had \$60,000 cars on lease; they had a convention held at their own facility where they hired a consultant for \$150,000; and many other examples of abuses.

You were the minister in charge of OLG for one year when the government promised to post travel and hospitality expenses for OLG employees. So my question is, have any of those travel and hospitality expenses been posted online?

**Hon. Dwight Duncan:** I'm not sure, but we'll find out for you. I'm not sure. But the new policies that the government established are in effect. I'm glad to hear you

concerns about what went on, because earlier today one of your colleagues talked about the mistakes we made in dealing with some of the previous executives, so I'm glad to hear that you're supportive of the initiatives that we have taken.

**Mr. Norm Miller:** We did check, and the expenses are not posted.

I guess I have another question, and that is, the Premier removed the OLG file from the Ministry of Finance and moved it to the Attorney General. Was it because—

**Hon. Dwight Duncan:** No, the AGCO, not OLG.

**Mr. Norm Miller:** Okay, the AGCO.

**Hon. Dwight Duncan:** The AGCO is the regulator. That was with government services. There were a whole variety, as I understand it. They have to be separate from the ministry that has the OLG because of the distance between the regulator and the operator, so make sure you understand the difference. The AGCO is the regulator of gaming; the OLG is the operator. It was the AGCO that was moved to the Attorney General's purview. I think that came from a number of recommendations that have been brought forward recently.

**Mr. Norm Miller:** Okay. You were the minister responsible for OLG, and the OLG is supposed to table an annual report each year. Did you table an annual report in 2010?

**Hon. Dwight Duncan:** I don't believe the 2010 report has been tabled yet. I stand to be corrected. With the new board and the new CEO, Paul Godfrey, I believe they were a bit behind in that.

When we came to office, there were six years of reports on a variety of agencies that had never been filed. In fact, it took us almost three years just to get up to date on a whole variety of agencies whose annual reports had not been filed. But in terms of the 2010 report, I don't believe it's been filed yet.

**Mr. Norm Miller:** I believe the answer is that you did table a report in 2010, but it was for the year 2007-08, when in fact the Ontario Lottery and Gaming Corporation Act states, "Every year, the corporation shall give the minister a report on the affairs of the corporation for the preceding fiscal year.... The minister shall submit the corporation's annual report to the Lieutenant Governor in Council and shall then lay the report." Why haven't you filed the report covering 2008-09?

**Hon. Dwight Duncan:** I'll have to double-check, but I do know that we caught up, as you're probably aware. Over a number of years in the late 1990s and the early part of this decade, it was routine not to file these reports publicly. We have caught up, I think, for the most part, and I'll have to get back to you on the 2008-09 year.

**Mr. Greg Orenszak:** If I can just add one thing to your previous inquiry, Mr. Miller, in terms of the posting of expenses for senior government officials and senior agency officials, I just punched an address into my BlackBerry and they are, in fact, posted. Let me just provide the address for the committee, and everyone can check that it's there. It's [www.ontario.ca/en/expense\\_claim](http://www.ontario.ca/en/expense_claim). The information is available there. I believe it's sorted by



ministry, ministers, parliamentary assistants and political staff, senior officials. I believe it is a searchable database.

**Mr. Norm Miller:** Does it have the OLG expenses?

**Mr. Greg Orensak:** I'm sure if I went there, there would be expenses for agencies that have reported expense claims.

**Mr. Norm Miller:** Well, when you find that, let me know, because we did check and we couldn't find it.

Still under the OLG, who is running the Windsor Energy Centre now?

**Hon. Dwight Duncan:** Right now it's the OLG under contract to—I can't recall who, but it is being run by the OLG under contract.

**Mr. Norm Miller:** Is it the consultants H.H. Angus and Associates?

**Hon. Dwight Duncan:** I'm going to have to double-check that.

**Mr. Norm Miller:** If you could find that out for me, I'd appreciate it.

Switching topics to auto insurance, it seems that in Ontario there is a significant fraud situation with auto insurance. RBC reported fraud costing \$1.9 billion of premiums. A big part of it is the cost of assessments and over-assessments that occur in Ontario. One of the recommendations of FSCO in their recent review was that a physician be appointed as the director of patient treatment, which I think could actually achieve a reduction in over-assessment or abuse of assessment that is a part of that fraud. Why did you choose not to implement that?

**Hon. Dwight Duncan:** I'm going to ask Phil. You might want to discuss the whole assessment situation.

**The Chair (Mr. Garfield Dunlop):** You've got two minutes to discuss it, Phil.

1720

**Mr. Philip Howell:** It is definitely the case that there has been a massive increase in the number of assessments in the system. In fact, it's interesting to note—and I think this is indicative of what some might call “the abuse in the system”—that after the government received the five-year review from my predecessor, which had the recommendations, including the one you just mentioned in it, there was a significant increase in the number of assessments. I should point out, the way the product was structured before September 1, all assessments were paid for by the insurance companies, i.e. the people who are insured by them, because it gets reflected in their premiums.

Then, as the government reviewed the five-year review and came out last November with their decision on which recommendations to include, which were almost all of them, plus five additional recommendations that were added to the government, some predominantly to give greater choice to consumers, there was another big spike in assessments. Then, when the regulations around the statutory accident benefits were clarified and posted at the end of last February, there was another really significant jump in assessments as the race to September 1 went on.

It's kind of interesting to look at the insurance product in 2004 and 2009. It's essentially the same product, and over that time period what really jumps out is that the amount of money that's actually spent on treatments has gone up—doubled—but the amount of money that's spent on assessments has almost quadrupled.

**Mr. Norm Miller:** If I can ask, then, seeing as I'm out of time, for a written response as to why that recommendation to try to control the assessments was not—

**Hon. Dwight Duncan:** There are a number of steps in the reforms that are designed. There were assessments, reassessments, reassessments on the reassessments; there are a number of undertakings that are designed to reduce that. And I will undertake, since it's on Hansard, to respond to you in writing on that issue.

**The Chair (Mr. Garfield Dunlop):** Thanks very much, Minister. That concludes your time, Mr. Miller.

Mr. Tabuns, you have 14 minutes.

**Mr. Peter Tabuns:** Thank you, Chair.

Minister, last question on car insurance: From your perspective, what are the pros and cons of banning age, gender, marital status and postal code as insurance rate classification categories? All jurisdictions that have public auto insurance have gone that route, and I believe Nova Scotia, which operates a private system, has banned age as a category.

**Hon. Dwight Duncan:** Again, I'd have to look more carefully at those factors but it wouldn't have the effect of lowering costs, it would shift the costs. Premiums are based on risk assessments related to a number of factors.

As you know, for instance, we've prohibited the use of credit scores in calculating, where we felt that there was no real benefit. I'd have to look at it from an actuarial perspective to see how that would shift costs, not only across some of the groups that you've talked about, but across communities—urban versus rural, all of these factors. Obviously, these other jurisdictions have gone in that direction. It's something worth looking at carefully.

**Mr. Peter Tabuns:** Is your ministry or any arm of your ministry currently engaged in doing that kind of assessment?

**Hon. Dwight Duncan:** Not my ministry. I don't know if the regulator has done any of that work, Phil, in terms of removal of some of these factors that are used in calculating insurance rates by actuaries. But to your specific question, not within the Ministry of Finance.

**Mr. Philip Howell:** Not in terms of things that are being done in Nova Scotia, although we do speak with our colleagues there and share experiences, but the legislation does provide fairly precise definitions of the various categories that can be used to assess risk.

**Mr. Peter Tabuns:** And have you done an assessment of shifting away from those categories, as has been done in provinces where they have public auto insurance?

**Mr. Philip Howell:** Looking at the risk classification system is something that's done on an ongoing basis and is reported on, and certainly that's something that would have been looked at in the context of the work done on the five-year report.

**Mr. Peter Tabuns:** Could you provide this committee with your most recent analysis of those risk factors and our position as a province on their use? If you say you do it on an ongoing basis, if you could provide us with your most recent report, that would be useful.

**Mr. Philip Howell:** Okay.

**Mr. Peter Tabuns:** You will provide us with that?

**Mr. Philip Howell:** Yes.

**Mr. Peter Tabuns:** Thank you.

Minister, there was a report that was produced by a panel last year, called Adapting to Climate Change in Ontario. As you're probably aware, as the climate continues to change, there are greater and greater risks of loss from flooding and extreme weather conditions. The people who wrote the report recommended:

"Proponents of infrastructure projects for which provincial investment is sought should be required, after January 1, 2013, as a matter of due diligence, to provide a climate change and infrastructure risk assessment. In the meantime, proponents should provide a site-specific vulnerability assessment of known climate risks such as flooding."

Since your ministry is the one that ultimately has to secure the funds, provide the debt financing and, in the end, you're the ones who have to deal with the problems if we incur a loss, are you on track to implement that recommendation?

**Hon. Dwight Duncan:** I'm going to have to refer that to the ministers responsible. Suffice to say we've taken a number of steps on the climate change file, everything from joining the western climate initiative to some other steps. We continue to advocate on behalf of it. But with respect to those specifics, I'll have to refer them to the ministers responsible.

**Mr. Peter Tabuns:** So at this point the Ministry of Finance is not doing an assessment of the liability that we are at risk of from climate change itself?

**Hon. Dwight Duncan:** We take all of these things into account, and we rely on individual ministries to provide us with something called a results-based plan that goes into helping us determine budget amounts. I would assume that various ministries do include some of these things. Again, I'd want to undertake to get back to you. For instance, on Thursday I'll be attending the opening of the David Suzuki school in my riding, which will be the first platinum LEED school in North America. It is entirely self-contained in terms of the environment. As you know, the certification standards under platinum LEED started with the demolition of the old school and have culminated in what I think is the first time Dr. Suzuki has lent his name to a public building of that nature. He's going to be attending with me and I think with the Minister of Education on Thursday evening, with the parents we have been working with.

But a lot of that is going on in different ministries. We have our own climate change working group within the government that is doing some of that. We have moved on some buildings—one that may be familiar to you is the old Sears building on Jarvis Street; the signs are up

there, I know—in terms of more energy efficiency, and these are ongoing programs within government, but I will ask the specific ministers to respond on those programs.

**Mr. Peter Tabuns:** I'm trying to think of how best to frame this for the clearest answer. There are two pieces here, Minister: One is trying to stop the world from getting hotter, and the other piece is adapting your buildings and your infrastructure to the inevitable change that is already happening and trying to prevent loss, trying to reduce liability. Should I take from your comments that the Ministry of Finance is not now taking the lead in making sure that the ministries it's raising capital for are ensuring that they are protecting the province from losses?

1730

**Hon. Dwight Duncan:** That is overseen by Infrastructure Ontario, which reports to another ministry. Infrastructure Ontario is receiving acclaim from around North America for its business management practices. I do know that they look at those standards, so accordingly, I will have to ask the minister responsible to respond to your questions on that.

**Mr. Peter Tabuns:** On another matter, then, the Ontario Electricity Financial Corp. dedicated electricity earnings: In the results-based plan briefing book, item 1203-12, we show estimates of electricity sector dedicated income of \$291 million in 2009-10, as estimates. The interim actuals were \$646 million. How did it come to be that the allocation was doubled?

**Hon. Dwight Duncan:** The electricity sector dedicated income transfer payment was originally estimated at \$291 million based on the original estimate of OPG's earnings for the fiscal year. The estimate of OPG's earnings has now been updated and is currently reported to be \$355 million greater than originally forecast; hence, the corresponding increase in the transfer payment to the OEFC.

As the transfer payment expense in finance reflected as revenue in OEFC, the amount is eliminated on consolidation of the province's accounts. It therefore has no fiscal impact. So you're seeing a lot of moving around of numbers to accommodate accounting needs.

I don't know if Gadi's here. Gadi, maybe you can give a better—

**Mr. Gadi Mayman:** No, that's a full answer.

**Hon. Dwight Duncan:** That is a full answer.

You have to be careful how you use select numbers out of a document of a couple of hundred pages. By the way, I read that from the page you've got in front of you.

**Mr. Peter Tabuns:** It's not in the one that I have in front of me.

**Hon. Dwight Duncan:** Page 103: You'll see it. It's circled in red.

**Mr. Peter Tabuns:** The one that's given to us, Minister, doesn't have all that detail.

**Hon. Dwight Duncan:** Okay, well, now you have it.

**Mr. Peter Tabuns:** I would be very happy to have your copy.

**Hon. Dwight Duncan:** I'm sure you would, but there you go.



**Mr. Peter Tabuns:** So if I understand what you've said, more money was earned by OPG than was expected. The money was flowed through to the OEFC. Was that extra revenue used to reduce the stranded debt? Since I don't have your documentation in the plebeian copy that I have—

**Hon. Dwight Duncan:** I would prefer to refer you to the province's financial statements where we consolidate the actual income associated. We did pay down stranded debt that year, I think a billion dollars. Is that correct, Gadi?

**Mr. Gadi Mayman:** It's \$1.1 billion.

**Hon. Dwight Duncan:** So \$1.1 billion was paid down. I think that's the fourth year in a row we've paid down stranded debt. Interestingly, the previous government put the debt retirement charge in place in 1999. That's when that money started coming off people's bills, but they never used it to pay down debt. The debt went up and up and up. So beginning in I think 2004 or 2005, we began putting that money towards that.

Also, I'll ask Gadi—I'm going to start getting off of an area that I know well. OPG, like others, with this big fund they have for nuclear decommissioning, saw some losses, as I recall, associated—where's Gadi?—

**Mr. Peter Tabuns:** You might as well join us.

**Hon. Dwight Duncan:** —with market changes, with the money that's invested. Is that accurate, Gadi?

**Mr. Gadi Mayman:** Yes.

**The Chair (Mr. Garfield Dunlop):** You've got three minutes here, guys. Gadi, go ahead, please.

**Mr. Gadi Mayman:** Gadi Mayman, CEO of the Ontario Financing Authority and also CEO of the Ontario Electricity Financial Corp., as that corporation actually has no staff and is managed by the OFA.

The minister is absolutely right. What happens is, it's an accounting issue. OPG, in conjunction with the province, has a fund set aside called the Ontario nuclear fund, and that fund is in place to provide for the decommissioning of nuclear reactors and the used fuel that comes from nuclear reactors at that time. That fund is about \$10 billion in size. Decommissioning nuclear reactors, as you know, is expensive, and these funds are set aside. In some ways, it's like a pension fund with one or two pensioners that will not retire for a long time, but when they do, there will be a big expense attached to them.

Those funds are invested by, I believe—my recollection is that about 18 different external fund managers manage that money. Those funds, as did every fund in 2008-09, lost a lot of money. It actually made it back in 2009-10.

So we have an interesting situation where unrealized gains and losses are recorded on OPG's books. The province doesn't use that form of accounting. Under PSAB accounting, public sector accounting, we're allowed to only look at realized gains and losses. The justification for that is that this is a fund where we're not going to actually use the money for 20 or 30 years. Why do the volatility up and down?

Interestingly, in fiscal 2008-09 the fund lost just over \$1 billion. In fiscal 2009-10 the fund made just over \$1 billion. So if you'd fallen asleep two years ago and you looked at the fund's record, you would think that—I think the difference was about \$5 million. On OPG's books, on the other hand, one year they had a billion-dollar loss; the next year they had a billion-dollar gain.

What we did, with the province's accounting, was take all that out and only recognize the realized gains and losses, so that really smoothed it out.

But it does make for some very interesting ins and outs. It makes it actually more confusing, as the minister was referring to, when you look at the estimates for OEFC, because of the accounting ins and outs that take place.

**Hon. Dwight Duncan:** If I might just respond a little bit more to that: This whole issue of PSAB rules and so on is something that finance ministers across the country are concerned about. This is a good example, I think, of how rules that are designed to improve transparency and accountability, in my view, don't do that. The one thing you learn as finance minister—and I think my colleagues of all political stripes from across the country would attest to this—is that accountants rule the world. These rules can be complex and, at times, challenging.

**The Chair (Mr. Garfield Dunlop):** Okay, that concludes your time, Mr. Tabuns.

We'll now go for the final round today. It's 14 minutes for the government members. We'll have the vote right after this too.

**Ms. Leeanna Pendergast:** Minister, I had the privilege this morning in my riding, in the small township of Wellesley, to be part of the announcement for the proposed Ontario energy and property tax credit. I must say, Minister, that seniors were very enthusiastic and very pleased to hear this proposed tax credit.

I'd like to follow up on that, though, Minister. My question about seniors is really quite straightforward. On behalf of the seniors in Wellesley and across Ontario, I'm wondering what the government is doing to support our seniors. It's a pretty broad question, but—

**Hon. Dwight Duncan:** For good reason: There's a broad range of programs and services that we are providing as well, some of which we're very proud of, and that, quite frankly, I don't think we've spent enough time informing people about.

For instance, for 2010 and subsequent years, we have doubled the maximum amount of the Ontario senior homeowners' property tax grant to \$500. As you know, today we announced another expansion of that. Over the next five years, that grant alone will provide \$1 billion in property tax relief to more than 600,000 low- to middle-income seniors within their own homes.

The 2010 budget also proposes reforms for locked-in accounts to give seniors and other Ontarians more flexibility in accessing funds in those accounts.

The government is addressing the short-term economic challenges that pension plans are facing, while moving forward with long-term reforms to strengthen the

pension system for Ontarians. We talked a lot about that earlier on this afternoon.

Our government will strengthen the accountability of home care services among service providers and community care access centres throughout the province.

In addition, we're introducing new quality measures that will strengthen the way community care access centres make arrangements for home care services, provide information and referrals to community-related services, and authorize admission to long-term-care homes.

Beginning in 2009, through the Ontario Health Quality Council, the government has publicly reported for the first time on quality of care in long-term-care homes in the form of resident health outcomes and satisfaction.

Those are just a sample of the sorts of things we do with and for our senior citizens.

Today's announcement is especially important, and we've had a very good response to it right across the province. I know that a number of our colleagues were in their hometowns today, meeting with seniors and explaining to them that new tax credit.

1740

**Ms. Leeanna Pendergast:** I have another pretty straightforward question on the HST and jobs, but before I ask the question, I'd like to read—I carry this quote with me, Minister, and if I could share the quote with you, maybe you can clarify for me the question I have subsequent to this. It's a quote from the Canadian Centre for Policy Alternatives. They say that the Ontario government's HST plan is "virtually revenue-neutral when viewed as part of a total tax package that includes increased sales and property tax credits and a significant decrease in personal income tax rates."

Minister, do most economists agree that switching to the HST will in fact create jobs?

**Hon. Dwight Duncan:** Yes. I wish there were more economists living in Ontario to help us get that message out. In fact, 21 of the leading national economists in Canada have spoken to that. So there's overwhelming support among economists, the chamber of commerce, anti-poverty groups.

You can understand the trepidation people have with the HST: They will be paying on some services that they didn't pay on before. But we've been very careful to reduce their tax burden in other places to help them accommodate that. Some of the more recent examples that are kind of fresh in mind, quite apart from the personal tax cuts we've provided, the small business tax cuts, the corporate tax cuts: Today's announcement is designed in part to help seniors and others with their energy bills; the special program for children's sports and recreation; the education tax credit that we've provided is another example, and that again is designed to help people who are suddenly paying HST on things that they didn't before.

We'll continue to try to get our message out and help people understand why these economists so strongly urge not just this government but every government before us since the GST was brought in in Canada that this is absolutely the right thing to do.

The one I like to quote most is Professor Jack Mintz, who used to be at the University of Toronto and is now at the University of Calgary. He was the Conservative Party's expert witness at pre-budget hearings the year before we brought in the HST. They called him on their behalf to speak about what he thought should be done, and of course his number one recommendation for building more jobs in Ontario and a brighter future was in fact to harmonize our sales tax.

We went beyond what most other provinces have done. For instance, we cut the personal tax rate on the first bracket. We're now the lowest rate for the first \$37,000 of income, and I think the HST rebate we're providing is the most generous in the country.

There has been a lot of this, but people still have trouble seeing that, and we've got to just keep driving that message home and helping them understand why the manufacturing sector supported this, the forestry supported this, the Ontario Chamber of Commerce supported this, anti-poverty groups like the one you quoted—the 25 in 5 coalition—and a whole range of others supported this. I believe that, over time, Ontarians will make the adjustment to the system and see the wisdom in why we did it and why such a diverse group of interests were able to support it as strongly as they did.

**Ms. Leeanna Pendergast:** I'd like to switch to OLG as the next topic. I'm wondering what the OLG is doing for local economies in the province. Could you take a moment and explain that for us, please, and as an addendum to that, perhaps you could explain what the government and the OLG are doing to tackle problem gambling.

**Hon. Dwight Duncan:** Thank you for the opportunity to put this on the record. In the last couple of years the OLG has been plagued with serious problems, and we've moved to address them as we become aware of them. That has quite clearly caused people to be concerned that we're maximizing the revenues that come from OLG.

But let me give you some examples of what you asked about. In 2008-09, the OLG purchased approximately \$46 million worth of goods and services from local and area businesses to support gaming facilities and included approximately 19,000 employees on its payroll, for approximately \$941 million. In 2009-10, the OLG made approximately \$82 million in payments to municipalities that host OLG gaming facilities and \$333 million in payments to Ontario's horseracing industry through the slots at racetracks program.

In terms of the OLG and what we're doing on problem gambling, we take that issue very seriously and we're committed to minimizing the risks associated with problem gambling here in Ontario. We provide approximately \$40 million annually for problem gambling awareness, prevention and treatment programs, and to ensure that such efforts are effective and up to date.

In addition, in partnership with the Responsible Gambling Council, the OLG has introduced responsible gaming centres at all of its gaming facilities. I remember a couple of years ago Sandra Pupatello and I had the opportunity to open that facility at the Caesars Windsor operation, which, of course, is in our hometown.



The OLG also provides information and tools to assist in the prevention of problem gambling and to help players make informed decisions about gambling. OLG also manages the website [knowyourlimit.ca](http://knowyourlimit.ca) in support of this important initiative.

**The Chair (Mr. Garfield Dunlop):** Another question?

**Ms. Leeanna Pendergast:** Another question.

**The Chair (Mr. Garfield Dunlop):** Go ahead, yes.

**Ms. Leeanna Pendergast:** Thanks.

I've been waiting for this one for a long time. Minister, when I was in OAC and took economics, the final exam question was, "If you were the Minister of Finance, how would you or your government reduce and eliminate the budget."

**Interjection:** The deficit.

**Ms. Leeanna Pendergast:** Sorry, the deficit. The budget, we don't want to do that.

I'm in a position now, Minister, to actually ask the question. I could tell you what I wrote on my exam; however, I'd like to hear from you, please, what the government's plan is to reduce and eliminate the deficit.

**The Chair (Mr. Garfield Dunlop):** You've got to do this in about three minutes.

**Hon. Dwight Duncan:** About three minutes, okay.

**The Chair (Mr. Garfield Dunlop):** I'm sure you could do that in three minutes.

**Hon. Dwight Duncan:** We've laid out—Leeanna, you and our colleagues are all part of this process—an eight-year plan to do that. Part of it will be due to growth in the economy. We need the economy to grow. That's how we can continue to improve the services that I think all of us value and recognize as being part of our longer-term economic health—that is, education and health care. So part of it will be growth.

We do have to control expenditures; there's no question about it. We are going to have some very difficult challenges in this country in the next 10 years, probably, if not longer, around health care. The rate of growth in health care expenditure is far exceeding the rate of growth in government revenues and growth in the economy. That poses enormous challenges.

Part of the response to that, by the way, is enhanced retirement income for people so that people can better prepare for their own retirement. One of the things I learned about long-term care with my own mum and dad was that most long-term care in this country is privately delivered; it's not in the public health care system. I don't think a whole lot of us are cognizant of that, on the one hand, and, on the other, preparing for that. Government has to be cognizant of that as well because these are very identifiable problems that are coming at us. The baby boom turns 65 starting January 1 of this coming year, and there are going to be enormous challenges.

It's a combination of doing the right things to encourage growth—job growth, growth in investment in the

economy—along with maintaining what I would call prudent investments. I believe, for instance, that the \$1.5 billion we've invested in full-day learning is very prudent. It's not a frill. It's about an important part of our economy and about growing the economy in the future.

On the other hand, you will see outlined in the budget documents a number of initiatives we have taken to help control the rate of growth and costs, and we'll continue to take those steps.

So it's a combination of encouraging growth in the economy, making sure that every dollar we spend we spend wisely, recognizing that mistakes will be made over time—when you have a \$110-billion budget, in any given year there is waste, and we will be vigilant in finding that, constantly trying to find it—and, again, enhancing the investments in areas that will help improve growth in the economy and hopefully help us get back to balance, as I say, in line with what's being done in other OECD countries.

**The Chair (Mr. Garfield Dunlop):** Okay. You've still got 30 seconds. Do you want to add anything more to that, Minister?

**Hon. Dwight Duncan:** Thank you all very much. It's been a wonderful opportunity.

**The Chair (Mr. Garfield Dunlop):** Thank you very much to the committee members. That concludes our timing. I do have a vote to go through here.

The first vote is vote 1201. Shall vote 1201 carry? It's carried.

Shall vote 1202 carry? It's carried.

Shall vote 1203 carry? It's carried.

Shall vote 1204 carry? Carried.

Shall vote 1208 carry? Carried.

Shall the 2010-11 estimates of the Ministry of Finance carry?

**Mr. Peter Tabuns:** Recorded vote.

#### Ayes

Brownell, McNeely, Pendergast, Rinaldi, Van Bommel.

#### Nays

Norm Miller, Tabuns.

**The Chair (Mr. Garfield Dunlop):** That carries.

Shall I report the 2010-11 estimates of the Ministry of Finance to the House? That's carried.

Thank you very much to the members of the committee and to you, Minister Duncan, and your staff and all the folks at the Ministry of Finance.

That concludes the estimates for the Ministry of Finance. We'll be back here tomorrow for the Ministry of Northern Development and Mines. This meeting is adjourned.

*The committee adjourned at 1750.*

## CONTENTS

Tuesday 28 September 2010

|                           |       |
|---------------------------|-------|
| Ministry of Finance ..... | E-185 |
| Hon. Dwight Duncan        |       |
| Mr. Greg Orencsak         |       |
| Mr. Steve Orsini          |       |
| Mr. Pat Deutscher         |       |
| Mr. Philip Howell         |       |
| Mr. Gadi Mayman           |       |

### STANDING COMMITTEE ON ESTIMATES

#### Chair / Président

Mr. Garfield Dunlop (Simcoe North / Simcoe-Nord PC)

#### Vice-Chair / Vice-Président

Mr. Robert Bailey (Sarnia–Lambton PC)

Mr. Robert Bailey (Sarnia–Lambton PC)

Mr. Gilles Bisson (Timmins–James Bay / Timmins–Baie James ND)

Mr. Jim Brownell (Stormont–Dundas–South Glengarry L)

Mr. Kim Craiton (Niagara Falls L)

Mr. Bob Delaney (Mississauga–Streetsville L)

Mr. Garfield Dunlop (Simcoe North / Simcoe-Nord PC)

Mr. Phil McNeely (Ottawa–Orléans L)

Mr. John O'Toole (Durham PC)

Mrs. Maria Van Bommel (Lambton–Kent–Middlesex L)

#### Substitutions / Membres remplaçants

Mr. Norm Miller (Parry Sound–Muskoka PC)

Ms. Leeanna Pendergast (Kitchener–Conestoga L)

Mr. David Ramsay (Timiskaming–Cochrane L)

Mr. Lou Rinaldi (Northumberland–Quinte West L)

Mr. Peter Tabuns (Toronto–Danforth ND)

Mr. David Zimmer (Willowdale L)

#### Clerk pro tem / Greffière par intérim

Ms. Sylwia Przezdziecki

#### Staff / Personnel

Ms. Anne Marzalik, research officer,  
Legislative Research Service



E-12



E-12

ISSN 1181-6465

## Legislative Assembly of Ontario

Second Session, 39<sup>th</sup> Parliament

## Assemblée législative de l'Ontario

Deuxième session, 39<sup>e</sup> législature

# Official Report of Debates (Hansard)

Wednesday 29 September 2010

# Journal des débats (Hansard)

Mercredi 29 septembre 2010

## Standing Committee on Estimates

Ministry of Northern Development,  
Mines and Forestry

## Comité permanent des budgets des dépenses

Ministère du Développement  
du Nord, des Mines et des Forêts

Chair: Garfield Dunlop  
Clerk: Douglas Arnott

Président : Garfield Dunlop  
Greffier: Douglas Arnott

### **Hansard on the Internet**

Hansard and other documents of the Legislative Assembly can be on your personal computer within hours after each sitting. The address is:

<http://www.ontla.on.ca/>

### **Index inquiries**

Reference to a cumulative index of previous issues may be obtained by calling the Hansard Reporting Service indexing staff at 416-325-7410 or 325-3708.

### **Le Journal des débats sur Internet**

L'adresse pour faire paraître sur votre ordinateur personnel le Journal et d'autres documents de l'Assemblée législative en quelques heures seulement après la séance est :

### **Renseignements sur l'index**

Adressez vos questions portant sur des numéros précédents du Journal des débats au personnel de l'index, qui vous fourniront des références aux pages dans l'index cumulatif, en composant le 416-325-7410 ou le 325-3708.

---

Hansard Reporting and Interpretation Services  
Room 500, West Wing, Legislative Building  
111 Wellesley Street West, Queen's Park  
Toronto ON M7A 1A2  
Telephone 416-325-7400; fax 416-325-7430  
Published by the Legislative Assembly of Ontario



Service du Journal des débats et d'interprétation  
Salle 500, aile ouest, Édifice du Parlement  
111, rue Wellesley ouest, Queen's Park  
Toronto ON M7A 1A2  
Téléphone, 416-325-7400; télécopieur, 416-325-7430  
Publié par l'Assemblée législative de l'Ontario



## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
ESTIMATESCOMITÉ PERMANENT DES  
BUDGETS DES DÉPENSES

Wednesday 29 September 2010

Mercredi 29 septembre 2010

*The committee met at 1543 in room 151.*MINISTRY OF NORTHERN  
DEVELOPMENT, MINES AND FORESTRY

**The Chair (Mr. Garfield Dunlop):** We'll call the meeting to order. We are here today for the consideration of estimates of the Ministry of Northern Development, Mines and Forestry for a total of seven and a half hours.

The ministry is required to monitor the proceedings for any questions or issues that the ministry undertakes to address. I trust that the deputy minister has made arrangements to have the hearings closely monitored with respect to questions raised so that the ministry can respond accordingly.

If you wish, you may, at the end of your appearance, verify the questions and issues being tracked by the research officer.

Are there any questions before we start here today? Okay.

I'll now call vote 2201. We will again begin with a statement of not more than 30 minutes by the minister, followed by statements of up to 30 minutes by the official opposition and the third party, and you can use your time, of course, to ask questions. Then the minister will have another 30 minutes to reply to the concerns brought up. If you don't want to use that 30 minutes, we would start immediately into the official opposition in 20-minute rotations until we finish the total of the seven and a half hours.

First of all, Minister, I want to welcome you here today and welcome your staff and all the people from the ministry as well.

With that, you can start your first 30 minutes.

**Hon. Michael Gravelle:** Thanks very much, Chair. It's great to be here, members of the committee. It's good to be here. I'm pleased today to speak to the 2010-11 estimates committee on behalf of the Ministry of Northern Development, Mines and Forestry.

Joining me here at the table, to my left, is our deputy minister, David O'Toole. With us as well in terms of having some assistance, perhaps, in terms of answering some of the questions, we have Don Ignacy, our CAO and assistant deputy minister of the corporate management division; and assistant deputy ministers Bill Thornton for the forestry division, Cal McDonald for the northern development division and Christine Kaszycki for the mines and minerals division.

Certainly our goal, Mr. Chair and members, is to be as helpful as possible to the committee members in terms of answering your questions. If I'm not able to, I certainly will be calling on my ministry staff, who I'm sure will be able to give you the information you're looking for.

It has been just about two years since I last met with this committee. However, in that two-year time period, we have seen a very deep global economic recession. While Canada and Ontario clearly weathered it better than most jurisdictions, northern Ontario and the province's forestry and mineral sectors certainly face significant challenges.

For example, when I last spoke to this committee at the beginning of September 2008, I reported quite happily at that time that the value of Ontario's mineral production for 2007 had reached a new record: \$10.7 billion. I think we need to compare that figure to preliminary estimates for 2009, which indicate the total value of Ontario's mineral production to be \$6.3 billion—still, obviously, a very significant amount but a decrease of somewhere close to \$4.4 billion, which was primarily due to a drop in nickel prices and production during the recession.

Forestry as well is a sector that has been hard hit by global economic forces. In 2007, the value of Ontario's forestry sector products was \$15.3 billion, the majority of which was pulp and paper products at \$8.3 billion. Just one year later, in 2008, the value of Ontario's forestry sector products has dropped to \$14 billion, of which pulp and paper products dropped to \$8 billion.

So it's fair to say, I think, that it has been a rough ride, certainly in large parts of northern Ontario, even for a region that has a well-earned reputation for innovation and resiliency in the face of the cyclical nature of the fortunes of primary resource industries.

However, northern Ontario is also a region of abundant natural and human resources. More than a century of mining activity has clearly proven this.

Ontario is Canada's largest producer of non-fuel minerals and one of the world's major players. Ontario stands out globally for its strengths in all areas of mining: exploration, mine development and rehabilitation, environmental technology, engineering, consulting and project management services, as well as health and safety.

In fact, I recall very well, when I was first appointed Minister of Northern Development and Mines back in late 2007, that the first mine I went to was the Hemlo

gold mine. What I was struck by during my tour of it was what a priority health and safety were at every level of the mining sequence and operation. It's as true today as it was then, and has been for some time.

1550

Ontario's position as a world leader in the mineral sector led, for example, to the recently signed memorandum of understanding between the government of Ontario and the Republic of India's Ministry of Mines to help promote opportunities for mineral development and investment between the two jurisdictions. In fact, I had an opportunity to speak at an India-Canada mining seminar and forum yesterday. We are continuing to work very closely with the country in terms of opportunities to share expertise.

Certainly, Ontario is also a leader when it comes to forestry. The province's forest asset, which is really almost the size of France, is ranked as one of the very best in the world. It's matched by one of the best forest management systems in the world. Our well-managed forests have brought tremendous prosperity to many of our communities and our province for more than 100 years.

Economic development organizations, industry, aboriginal people, academia and municipal groups, among others, have been hard at work for many years to diversify and stabilize the region's economy. Increasingly, these groups are joining forces to find new ways to combine the strengths of the north's resource base with the emerging opportunities of a knowledge-based economy. They're seeking out and are developing new opportunities, and they've made significant advances in achieving shared goals.

I'm very proud to say that our government is working alongside northerners to help them achieve their goals. In fact, under the Open Ontario plan, which was announced in the 2010 budget, the government's commitment to jobs and growth for northern Ontario in 2011 is truly unprecedented. Our government is acutely aware of the need to strive for balance in meeting diverse and often opposing interests from a variety of groups for both short- and long-term benefits. We are also ever-mindful of our fiscal responsibility and the need for prudent management of our tax dollars. But make no mistake, we are very determined to govern and take bold actions when necessary and in the interests of all Ontarians, individuals and families.

I certainly welcome this opportunity to start these proceedings with the estimates committee to have a chance to highlight our government's commitments and actions when it comes to strengthening the northern economy and the provincial forestry and mineral sectors.

Let me just begin with a ministry overview, if I may. I think most members here are conscious of this, particularly members from the north: The Ministry of Northern Development, Mines and Forestry is the only regional ministry in the Ontario government. Our ministry advocates on behalf of Ontario's northern region. We provide a northern perspective to help address unique

regional circumstances that arise when, for example, you have about 6% of the province's citizens living in an area that is really close to 90% of the province's land mass.

Importantly, as well, we also advocate on behalf of the province's minerals and forestry industries. In the minerals area, our geological initiatives are a very important investment attraction catalyst for all of Ontario. They inform planning and economic development decisions for the Far North and near north municipalities. Our groundwater and energy geoscience initiatives touch the lives of many people who live in southern Ontario. Since the transfer of the business and economic functions of forestry from the Ministry of Natural Resources last year—I think it was in June 2009—we have been advocating on behalf of the province's forest sector industry on many fronts. Finally, we deliver government programs and services in northern Ontario that are aimed very directly at strengthening the north's economy.

In essence, we carry out our mandate in three main ways. First, we foster a competitive business environment, and we support economic and community development in northern Ontario. Second, we provide leadership on initiatives to revitalize and transform the provincial forestry sector. Third, we support strong, sustainable minerals, energy and groundwater industries. During these opening remarks, I'll try very hard to highlight our government's actions and major initiatives through our ministry to address the economic challenges of recent years in each of these three areas.

Looking first at northern economic development: As our ministry's primary mandate is economic development, and we continually remind people of that, we do have a northern development division that leads and coordinates government programs aimed at strengthening the northern Ontario economy, building strong northern communities and creating job opportunities in the north. Through a network of offices and strategic program and policy development, we ensure that northerners have access to the government's programs and services, and we ensure that northerners have a say in government decisions affecting the north.

We also work with the Ministry of Economic Development and Trade to attract new investors to northern Ontario and we help northern businesses explore Canadian and international business opportunities. One of those vehicles that we have is the Northern Ontario Heritage Fund Corp., and nowhere is the business of economic development more evident in our ministry than in the work of the Northern Ontario Heritage Fund Corp., which I also chair. When it comes to building a stronger, more competitive northern economy, the heritage fund remains one of our government's key tools.

I'm extremely proud that the government's commitment to the north has been demonstrated through an additional \$10 million allocated annually to the heritage fund since 2008. The fund's total allocation for this fiscal year is \$90 million, used to invest in new projects across the north that will stimulate growth, attract investment and, indeed, create many jobs. I certainly think it's fair to



point out that our government is the first to provide this unprecedented level of funding to northern Ontario through the Northern Ontario Heritage Fund Corp.

Currently, the heritage fund has seven programs designed to foster job creation and strengthen the economies of northern communities. The programs are geared to entrepreneurs and to the private, public and not-for-profit sectors.

The results are pretty impressive, if I may say so. Since October 2003, the NOHFC has approved more than \$566 million toward 3,403 projects, leveraging more than \$1.9 billion—about four times the investment, which is helping to create or sustain some 14,000 jobs across the north, and every single one of those jobs is absolutely vital. These are meaningful jobs that have directly benefited and provided hope to individuals, families and communities in the north.

Our government did revamp the heritage fund's mandate early in our first term to include private sector job creation, youth, emerging technologies, telecommunications and energy conservation opportunities while we continue to support vital infrastructure and community development projects.

To better serve the unique needs of northern clients, there was a new program we put in place called the northern Ontario entrepreneur program. It was launched in May 2009. That program provides conditional grants of up to \$125,000 to help entrepreneurs start their own businesses in northern Ontario. This is one of the programs, I think, that we're particularly proud of. We certainly are very excited about the fact that our young entrepreneur program, which I look forward to telling you more about, has helped hundreds of young people 29 and under open up new businesses in northern Ontario.

What became very apparent, particularly, may I say, with the challenges that were being faced with the downturn in the economy, was that there were people with some very significant business ideas, who had business plans and were looking for an opportunity to open up a business. Some of these people had perhaps lost their jobs and had some idea for businesses. We recognized that one of the barriers was that many of them were over 29 years old, so with some great work and some very strong advice that, may I say, came directly from the board members themselves, we moved towards creating this program, which has been a real success. So I'm very pleased at the success of the northern entrepreneur program, and the number of new businesses we've helped is very impressive.

The challenge, again, was that these entrepreneurs had a great business idea, a very good business plan, but needed to leverage some cash to be able to move forward with their project, and we were able to match those dollars up to \$125,000. It's a terrific program and it has been a real success.

1600

I'm also pleased to say that significant enhancements to the current Enterprises North job creation and private sector emerging technology programs are certainly further benefiting businesses in the north.

Since NOHFC programs were reprofiled—and that took place in January 2005—the following strategic investments have been made through the fund.

There has been more than \$215 million invested in local community infrastructure development and enhancement projects through the infrastructure and community development program.

There has been more than \$100 million approved through the Enterprises North job creation program toward 188 business expansion or start-up projects that support private sector job creation across northern Ontario.

Approximately \$9 million has been approved through the northern energy program. This funding has helped northern businesses and not-for-profit organizations with 173 projects. This specific assistance allowed these organizations to reduce their demand on external energy sources and develop new renewable energy projects that will generate energy for sale to the electrical grid.

More than \$7 million has been approved through the northern Ontario entrepreneur program, which I was speaking about moments ago. That's a significant investment and has, again, opened up business opportunities for many people. Through this new program, the Northern Ontario Heritage Fund Corp. has so far supported 147 new business start-ups across northern Ontario.

Another program that we're very proud of is the youth internship and co-op program. This is a remarkable program. More than \$33 million has been approved through that particular program, and this has helped create some 1,800 internships and co-op placements across the north, including a number of remote communities in the Far North of Ontario.

Approximately \$7 million has been invested under the other program that I was speaking about earlier, the young entrepreneur program. This has been able to help young business people—again, 29 or under—in 310 business ventures across the north. Again, when you talk about these programs, I don't think there's one riding in northern Ontario, and you'd have a hard time finding one community, where you're not seeing the results of the heritage fund in terms of either the young entrepreneurship program, the northern entrepreneurship program or others as well where there's been a real impact that has been extremely helpful.

Also, very significantly, more than \$100 million has been invested through the emerging technology program. These investments have provided key support for the emerging film, animation and biotechnology sectors, and have helped expand broadband and cellular service capacity in the north. Again, for those who understand the challenges in northern Ontario, to be able to make significant investments to expand broadband and cellular service makes a huge difference in terms of making northern Ontario truly an attractive destination for business from anywhere else in the world. It's very, very important.

Since 2003, the government, through NOHFC programs, has also invested—this is again something we're

very pleased with—more than \$45 million in aboriginal communities, including Telehealth service expansion, waterfront developments, and a number of multipurpose community centres that make such a difference in many of our First Nation communities.

The contribution that the heritage fund is making to the economies and to the quality of life in northern communities in a myriad of ways cannot be overstated. I could spend my entire time giving you example upon example of what a difference this has made. It moves from helping a community college in Sudbury develop a new trades training centre to helping North Bay develop its waterfront; from supporting a cultural centre for youth in Sioux Lookout to supporting a state-of-the-art semiconductor research laboratory at Lakehead University; from helping a joint First Nation industry/business partnership in Kenora begin manufacturing modular homes—and I'm sure my colleague from Kenora is very familiar with that particular company—to helping a cheese manufacturer expand its plant in Thornloe. These are all extraordinary examples, and there are many, many more.

These are truly just a few of the projects for which the heritage fund has provided support in the past several months. These are, indeed, renewing our communities, creating new jobs and new economic opportunities. Whenever I get an opportunity, as minister, to visit the communities and to be there to make the announcements, which I'm not able to do as often as I'd like, you can just see what a difference this is making to the community to provide these businesses and the communities themselves with these opportunities for advancement.

Another very important part of our ministry, of course, is the northern highways program. Certainly I don't think anybody would argue that what's very critical to Ontario's economy and to our quality of life is the provincial highway system. I think this is especially the case in northern Ontario, where nearly 11,000 kilometres of highway are truly and quite literally social and economic lifelines, linking communities separated by great distances. Our ministry is responsible for establishing and managing the annual budget for the northern highways program. We do work very closely with the Ministry of Transportation to identify program priorities, but this is a huge responsibility that we embrace.

We have allocated, in this year's budget, \$773 million for northern highways in our 2010-11 budget, which is an increase—it's an unprecedented level—of almost 20% over the previous record allocation for highways in 2009-10, which I believe was \$648 million. Obviously, to have such a significant increase is making a real difference.

Since 2003, we have rehabilitated 2,560 kilometres of highway and 185 bridges—we all know how important it is in terms of the rehabilitation of bridges—and we have constructed 105 kilometres of new four-lane highway along with 115 new bridges.

Certainly our government understands that every single cent invested in safe, efficient, modern highway infrastructure is an investment in the future prosperity of

the north. Let me give you some examples of some of the major highway projects that have been achieved in recent years through that investment.

Since 2003, 10 contracts have been initiated on Highway 11 south of North Bay, with a value of \$540 million. All of the remaining 41 kilometres of highway are now under construction. Since 2003, 11 contracts have been initiated on Highway 69 south of Sudbury, with a total value of over \$580 million, and 20 kilometres of new four-lane highway were opened to traffic in the fall of 2009. Construction is under way on another 30 kilometres, and engineering and property acquisition are proceeding over the remaining 132 kilometres. This is a true priority project.

We also accelerated the completion of the \$150-million four-laning of Highway 17 east of Sault Ste. Marie from 2008 to 2007. Construction of the \$35-million section of Highway 11/17 west of Thunder Bay was completed in August 2007.

We did receive additional funding in the 2007 and 2008 provincial budgets for a very important initiative; it was in fact a safety initiative program along Highway 17 from Kenora to White River, along Highway 17 east and west of North Bay, and on Highway 11 north of New Liskeard. Planned expenditures amount to almost \$190 million over five years. This program was reconfirmed in the 2010 provincial budget.

Also of real significance is that in the 2008 budget our ministry received \$79 million in funding over five years for a major rehabilitation of the Noden Causeway on Highway 11 over Rainy Lake, an extraordinarily important project. Two of those projects have been completed, with two more under way.

Ongoing major investments include the widening to four lanes of Highway 69 to Sudbury, as I mentioned, where we are continuing on a very aggressive schedule; Highway 11 to North Bay, which is on schedule to be completed by 2012; and Highway 11/17 between Thunder Bay and Nipigon. We just announced two tenders for work relating to the four-laning between Thunder Bay and Nipigon, a five-kilometre stretch between Hodder Avenue and Highway 527, or Spruce River Road, as it's known to many, which is also where the Terry Fox lookout is located. That's a major project: \$41.9 million.

#### 1610

Just last week we were able to announce a tender for \$62 million for a 14-kilometre stretch between Mackenzie Station Road and Birch Beach Road between Thunder Bay and Nipigon, which I believe will be slated for completion in 2013.

I can say very strongly that our government will continue investing in northern highway infrastructure. Priority number one is safety, but this is also very significant in terms of spurring business development. It creates jobs, and obviously we need to keep our people and our goods moving, so this is a very significant part of our ministry's priorities.

Let me speak, if I may, also a bit now about the Ontario Northland—



**The Chair (Mr. Garfield Dunlop):** You have five minutes on this 30 minutes, Minister.

**Hon. Michael Gravelle:** Are you serious? I won't make it through the next 30 minutes. Well, I'll keep going. May I?

**The Chair (Mr. Garfield Dunlop):** You covered a lot of territory, Minister. You get another 30 minutes after this.

**Hon. Michael Gravelle:** Okay. I want to tell you about the Ontario Northland Transportation Commission.

In addition to highway investments, our government supports the Ontario Northland Transportation Commission, which does provide valuable telecommunications and transportation services to northeastern Ontario. The past five years have been extremely productive ones for the ONTC. Highlights include the following:

The ONTC has implemented a new Northlander train schedule that has resulted in an increase in passengers and has improved the trains' performance.

They have replaced approximately 168,000 railway ties on more than 1,100 kilometres of rail network.

They've undertaken an \$81-million contract to refurbish 121 GO Transit commuter railcars and retool the shops.

They were able to build a new, \$2.3-million bus garage in North Bay which provides state-of-the-art maintenance facilities, reduces costs and improves working conditions while allowing Ontario Northland to pursue some new business opportunities.

They've added eight new motor coaches to the fleet since 2005, which provide safe, reliable and comfortable transportation solutions to their passengers.

They did build a new, \$4-million state-of-the-art paint facility to support the railcar refurbishment business, which is a great part of the work of the ONTC. Certainly the facility in North Bay is capable of painting the largest railcars in North America.

They were also able to introduce a new tour train, which has been a great success: the Dream Catcher Express, which promotes the fall colours between North Bay and Temagami.

I began with the good news. The fact is, the ONTC has not, of course, been immune to the economic challenges that I referred to earlier in my remarks. As a result of the downturn in its freight transportation business, very much associated with the downturn in the forestry and mining sectors, the ONTC, like many other prudent organizations, has had to make some difficult decisions, and that has included, unfortunately, a number of job reductions across these operations.

While the ONTC has been seriously affected by the downturn in the resource industries, we are looking forward to continued recovery in these sectors and new business opportunities for this important purveyor of transportation services in northeastern Ontario.

Do I have time to go on to my next little piece, Chair? I'm going to try.

**The Chair (Mr. Garfield Dunlop):** You've got about another two minutes and 30 seconds.

**Hon. Michael Gravelle:** Before we leave the topic of transportation—I'll just speed up on my second part, Deputy, in order to get it all in here—I do want to add that the Ontario government is following through on its commitment in the budget—we were talking about it this morning in question period, in fact—to provide up to \$15 million to support the continued operations of the Huron Central Railway. That \$15 million will be used to upgrade the line from Sault Ste. Marie to Sudbury by repairing and replacing rail ties, anchors and bridges and by generally improving the rail lines so that the service can be profitable while maintaining long-term operations for local businesses.

This was just one of the several major initiatives to enhance job creation and economic growth in northern Ontario that came out in our 2010 budget, and I do think our commitment of that \$15 million that came out of the budget was helpful in securing the matching federal dollars that were so important to this project.

Previously, we had provided, through the Northern Ontario Heritage Fund Corp., the year before, when it became clear there was a real challenge with maintaining the shortline railway, \$1.5 million, which was also matched by the federal government. What that did was allow the people involved in trying to preserve the Huron Central Railway with the time and opportunity to put a plan together, which obviously they've been successful with, and we're very pleased that we can make that kind of a commitment to northern Ontario. This is an extraordinarily important one.

I'll try and get started a little bit on the forestry sector. I'm just now getting to the forestry sector. We know a number of things about the forestry sector, one of them being that this is a key component of the province's economy and absolutely vital to the north. But may I say that one of the first lessons I learned as minister, being a fellow from northern Ontario, was that it goes beyond northern Ontario. The forestry industry is very important in large sections of the province and there's some tremendous work done.

In 2008, the provincial forestry sector supported almost 200,000 direct and indirect jobs and had annual sales of approximately \$14 billion.

**The Chair (Mr. Garfield Dunlop):** I think that's a good point right there to conclude your opening 30 minutes.

**Hon. Michael Gravelle:** I'll stop there.

**The Chair (Mr. Garfield Dunlop):** You can continue on after. Thank you, Minister. You've covered a lot of territory there.

We'll now go to the official opposition. Mr. Hillier, you have 30 minutes for comments, or you can ask a combination of questions and make comments as well.

**Mr. Randy Hillier:** It's a pleasure, of course, to have the Minister of Northern Development here at estimates today.

That was quite a laundry list of expenditures the minister was reiterating during his 30 minutes. I don't know if anybody kept track of all the millions that he was

talking about—those were significant numbers. But I understand that it is the minister and the Ministry of Northern Development—economic development is what the minister said was their priority, their mandate, their objective. Really, all we heard was the minister of expenditures; we didn't hear too much about economic development. But we have this briefing book called the results-based briefing book, and I think it's important that we actually look at economic development under your watch and under your government's watch.

First, with mining, we are now producing and extracting less minerals in 2009 than we were in 2004. In 2004, it was \$7.2 billion worth of economic activity in mining, and in 2009, we're estimating it at \$6.3 billion. So we are in a worse position, or mining is not contributing as much as it was in 2004. That is not what I would call economic development, when six years later we're doing less even though we're spending more.

Although the minister didn't get into forestry in a significant fashion—but I'm sure he will in the next 30-minute round—we have now lost 60 mills in northern Ontario. We've lost 45,000 forestry jobs. We are harvesting approximately half of the available fibre that we used to harvest out of our forests. That, again, is not economic development, when we're doing less than we once were.

It must be devastating and demoralizing for both the minister and the ministry to be presiding over this lack of economic development, when their mandate is economic development.

I think those are the real results we are facing today on economic development in the north. Our towns have been devastated. Going to Kapuskasing or many towns up north, you see the businesses that are closed up, boarded up, the loss of population, the loss of communities, and it's continuing today, although the ministry seems to be spending more and more to be getting less and less in the field of economic development in northern Ontario.

1620

I want to start off with this first question, and it's referred to on page 29 of your briefing book. This is for clarification, if we can make this brief on this clarification. You show on page 29 a column—it's throughout the book but I'll just refer to this one page right now—"Services." This is a summary of your expenditures: 54.9% of your total budget goes to services, \$234 million. Can you explain briefly what that encapsulates? We have salaries and wages; we have benefits; we have transfer payments. What are the services that are so expensive?

**Hon. Michael Gravelle:** I'll be happy to—certainly, I'll ask my ministry staff, the deputy, to respond to that very specifically, but, if I may, let me respond to your opening comments.

Certainly, I think that you are—

**Mr. Randy Hillier:** Minister, those are just facts that I was reiterating. They're not really up for debate.

**Hon. Michael Gravelle:** You don't want me to respond to your rather negative portrayal of the economic development—

**Mr. Randy Hillier:** No, I don't. Those are just facts. They're not subject to debate. We have lost mills, we have lost our economic activity in the north. What I would like to know is about the \$234 million that is being spent out of your ministry under the title "services." That's what I'd like to know.

**Hon. Michael Gravelle:** Absolutely, and I'll make sure that we get a specific response to that, but I do think you need to—because I know you care about this. I also do think you need to understand and recognize that indeed we are seeing very much an upswing in the mining sector once again. There is no doubt about the global economic reality having an impact on our mineral production. There is also, as you well know, a significant and long strike at one of the mining operations in Sudbury. The fact is, we now are seeing a complete turnaround, let alone some of the opportunities that we will be seeing with the Ring of Fire.

When you look at the dollars, we are still, for example—

**Mr. Randy Hillier:** We'll get into the mining stuff shortly, after we get into the services.

**Hon. Michael Gravelle:** You want an answer to that question.

**Mr. Randy Hillier:** Yes.

**Hon. Michael Gravelle:** Deputy?

**Mr. David O'Toole:** Thanks, Minister.

Mr. Hillier, you're looking at the results-based plan?

**Mr. Randy Hillier:** Yes.

**Mr. David O'Toole:** I'm going to turn it over to Don Ignacy, our CAO, who can speak to this in some detail.

**Mr. Don Ignacy:** The largest amount of that line is related to the announced northern industrial electricity rate reduction program, which is in the order of \$140 million this year.

**Mr. Randy Hillier:** Forty million dollars?

**Mr. Don Ignacy:** One hundred and forty.

**Mr. Randy Hillier:** You call it "services." On that northern industrial rate, the Ministry of Northern Development and Mines will be cutting the cheque, if I might say?

**Mr. Don Ignacy:** That's correct.

**Mr. Randy Hillier:** Okay, and that's \$140 million out of the \$234 million that's shown on page 29.

**Mr. Don Ignacy:** Yes.

**Hon. Michael Gravelle:** So that's good news.

**Mr. Randy Hillier:** It's good news, absolutely.

**Hon. Michael Gravelle:** It's very good news.

**Mr. Randy Hillier:** I didn't hear that in all the other millions that you were talking—

*Interjection.*

**Mr. Randy Hillier:** We now still have about \$90 million in that category. What other things would "services" compose?

**Mr. Don Ignacy:** The balance we're pulling right now, sir. We'll get back to you in half a minute.

**Mr. Randy Hillier:** Okay. Maybe I'll move on as we wait for that answer.



Another question that arose out of your initial comments—if I've got this correct, you said the Ministry of Northern Development invested \$773 million in roads in northern Ontario last year.

**Hon. Michael Gravelle:** That was allocated in this year's budget for the roads.

**Mr. Randy Hillier:** Through your ministry?

**Hon. Michael Gravelle:** I'm sorry?

**Mr. Randy Hillier:** Not through your ministry.

**Hon. Michael Gravelle:** We administer it for the north. It's the Ministry of Transportation, but we administer the northern highways budget.

**Mr. Randy Hillier:** I didn't see it anywhere in your results-based planning brief—\$773 million in roads.

**Hon. Michael Gravelle:** This was allocated—it was \$648 million last year, of course. That's correct, isn't it, Don?

**Mr. Don Ignacy:** Yes.

**Hon. Michael Gravelle:** Yes; \$648 million last year. I was certainly taking advantage of the opportunity to talk about the \$773 million that's allocated in this year's budget as well.

**Mr. David O'Toole:** Would it be helpful if Don described the relationship between us and MTO with respect to the management of money in the capital budget for highways and roads, and how the northern program gets developed and how money gets allocated?

**Mr. Randy Hillier:** Sure. Like I said, the \$730 million—

**Hon. Michael Gravelle:** It's \$773 million.

**Mr. Randy Hillier:** If I'm correct, that money is expended through other ministries but with your oversight and/or your influence in where it's spent?

**Mr. David O'Toole:** That's a fair assessment, yes. Don will speak to the details of how the capital allocation takes place.

**Mr. Randy Hillier:** That's okay. We don't need to get into—as long as we have an understanding. So that \$700 million is not part of your direct control and administration. It doesn't show up in the book.

**Hon. Michael Gravelle:** It's our responsibility to administer it, and we're excited to do that. But obviously, we work very closely with the Ministry of Transportation.

Again, Don can explain the exact relationship, if that is useful to you.

**Mr. Randy Hillier:** I'm sure he could explain significantly, and I'm sure your ministries work in conjunction.

**Hon. Michael Gravelle:** We're very proud of the northern highways program.

**Mr. Randy Hillier:** We know that there have been significant challenges—even though I hate using that phrase—in our economy and in northern Ontario. The minister has used that as a reason why we're extracting less value in minerals in northern Ontario. But maybe you can see how this fits in with the package. The Fraser Institute used to rank Ontario as the number one jurisdiction for mining in 2001. I believe, in last year's

Fraser Institute, we are now ranked 20th in favourability for mining in the world.

I guess I'll phrase the question this way. Your job, your mandate, is to ensure there is greater access to minerals, greater access to economic activity. Why, Minister, are we now 20th, as compared to 2001, when we were first? What are you guys doing in the ministry? And I know you've spent a significant amount of time making amendments to the Mining Act, but we are now 20th in the world instead of first.

**Hon. Michael Gravelle:** Quite frankly—and I'm not particularly shy about this—I take issue with and argued that that ranking is an inaccurate reflection of how attractive Ontario is in terms of the mining sector. The evidence that I used for that is the exploration dollars. We do have the most significant exploration dollars, which continually increase, year upon year.

Now, unquestionably, much like the actual mineral production, they did go down, but at a time when, indeed, mineral exploration was dropping. Right now, for example, 28% of all mineral exploration in Canada is happening in the province of Ontario. I also think that when the Fraser report came out last year, it came out, quite frankly, before the excitement began to develop about the potential for the Ring of Fire development. We are all very conscious that this economic development opportunity may be one of the greatest we've seen in the past 100 years. The discovery of chromite and many other metals that are in the ground in the Far North are obviously ones that people are finding very exciting. So we're seeing tremendous excitement, certainly at the exploration level but also at the mineral production level.

We're seeing new mines opening up. That's the story that I really want to be able to tell. On September 10, a couple of weeks ago, I was up in Matachewan near Kirkland Lake with David Ramsay doing the sod-turning for the Northgate mine, the Young-Davidson gold mine. We're seeing excitement about the Lake Shore Gold operation, the Detour Gold mine, which may be the biggest in North America. So the long and the short of it is that I think the rankings are wrong.

1630

The note that's being passed to me, and I certainly was going to get to it, too—it was also before the completion of our modernization of the Mining Act.

One of the goals of our Mining Act, the key goal, was, basically speaking, to modernize the Mining Act; to, quite frankly, put 21st century values into it as much as we could in terms of requiring very clear consultation requirements all along the mining sequence in terms of our aboriginal leadership and communities, while we brought about a real certainty in terms of investment opportunities—a real clarity in the act. We worked really closely with not just the Ontario Mining Association, but they were very real partners in this. I know that if you talk to Chris Hodgson or you talk to most people within the mining sector, they will tell you that our modernized Mining Act has brought about a great deal of certainty.

So I question those rankings and I think you're going to see an improvement.

**Mr. Randy Hillier:** I'm glad you raised the Mining Act. There were significant consultations on the Mining Act, Minister. I believe we had in total about 14 days of committee hearings and consultations on the amendments to the Mining Act. Clearly, you believe that the Mining Act is a great improvement over what we had previously. I think that nod was in the affirmative.

**Hon. Michael Gravelle:** We have modernized the act, I think, to far more accurately reflect 21st century values. I think it was important that we did that—

**Mr. Randy Hillier:** The question I want—

**Hon. Michael Gravelle:**—plus provide certainty.

**The Chair (Mr. Garfield Dunlop):** Let him finish up, Minister.

**Hon. Michael Gravelle:** Excuse me.

**Mr. Randy Hillier:** The question I was going to ask there was, do you think those 14 days of consultation added, contributed to and improved the Mining Act amendments?

**Hon. Michael Gravelle:** Well, again, I've got our assistant deputy minister here, Christine Kaszycki, who can speak on some of the details—

**Mr. Randy Hillier:** No, but the consultation—

**Hon. Michael Gravelle:** I'd be happy to tell you about consultation. The consultation that we got through on the Mining Act was lengthy—

**Mr. Randy Hillier:** Was it a benefit?

**Hon. Michael Gravelle:** It was unprecedented. We began our consultations on the Mining Act before we brought the act forward. We did extensive consultations once we brought it forward for first reading. We had a consultation process that I think was certainly virtually unprecedented and I'm very proud to say that. We recognize how important it was to make sure that we did bring people into the process at every level.

**Mr. Randy Hillier:** Okay, so it was important and there was a benefit to those significant and lengthy consultations.

I guess my next question to you, Minister, is—and I can understand that lengthy consultations provide benefit; they're important. Why, then, has your government cancelled the consultations on a new bill, which is now law, which will significantly impact not only your ministry and the jurisdiction of your ministry but the lives of everybody in northern Ontario? If you believe that consultations are necessary, beneficial, and important, why has your government not allowed the same process to happen on a brand new bill which will impact negatively on your jurisdiction?

**Hon. Michael Gravelle:** Well, I think it's fair to say that the minister responsible for that legislation would not agree with your interpretation, and I'm certainly not—

**Mr. Randy Hillier:** Well, the facts are clear: They didn't have 14 days of consultations on the Far North Act.

**Hon. Michael Gravelle:** Again, this is not a piece of legislation that's part of our ministry's responsibility, so I'm not in a position to comment, but I do think it's probably fair to say—

**Mr. Randy Hillier:** Well, you commented on the MTO's, so—

**Hon. Michael Gravelle:** We have a very specific relationship which we're happy to tell you about in terms of MTO.

**Mr. Randy Hillier:** You don't have a significant relationship with MNR?

**Hon. Michael Gravelle:** We work very closely together. But the fact is that piece of legislation, I think the minister would argue—and I'm not going to speak on her behalf—that indeed your interpretation is not accurate. The fact is that, in terms of the Mining Act, we had an opportunity to bring forward a piece of legislation that we thought needed to be modernized, and indeed I think we did a good job of bringing forward the opportunity for as many people as possible to take part in those discussions. It was, again, clear to us that we always had to find a balance. The challenge, I think, all the time, with issues such as the legislation is to find that balance. Indeed, we felt very strongly that was what we were able to achieve with the modernized Mining Act.

**Mr. Randy Hillier:** Well, Minister, we had eight days of consultations on the Far North Act, compared to 14 days on the amendments to the Mining Act—a significant difference.

We just had another minister up in Sudbury yesterday who declared—we've got a new Algonquin park up in the north now with the Far North Act, except far more substantive in size, now composing 40% of Ontario instead of the minuscule amount that Algonquin park is in relation to that. But that's what Minister Duncan said—the Far North Act is the creation of a provincial park. That's what it accomplishes.

This clearly impacts your ministry. It clearly impacts economic development in the north. I guess, maybe, this one question: Your government has said it is an economic development bill, even though they're calling it a park. If it's an economic development bill for northern Ontario, why isn't your ministry the author of it and holding jurisdiction with that?

**Hon. Michael Gravelle:** We're very pleased that we are moving—

**Mr. Randy Hillier:** Because you did say that you are the advocate for northern Ontario.

**Hon. Michael Gravelle:** We are the economic development ministry for northern Ontario, and that's why we are so pleased to be able to focus on opportunities such as the Ring of Fire. That's why we are working as closely as we are with the First Nations directly in the Ring of Fire, which are communities in the Far North. A couple of weeks ago—

**Mr. Randy Hillier:** Is that the name of the new park? The Ring of Fire park?

**Hon. Michael Gravelle:** I'm sorry?



**Mr. Randy Hillier:** Is that the name of the new park up there? The Ring of Fire park?

**Hon. Michael Gravelle:** The Ring of Fire is a development, I trust, you would also support. This is going to be one of the greatest economic development opportunities in our province within the last century, and it's going to be an opportunity for jobs and for some benefits for all those who are involved in this process.

The truth is that a couple of weeks ago, as you may know, but if not I'll tell you, I was very pleased, along with my colleague the Minister of Natural Resources, to sign a letter of intent with—

**Mr. Randy Hillier:** But my question though—

**Hon. Michael Gravelle:** —Marten Falls First Nation and Webequie First Nation to work towards our mineral exploration agreement and land use planning. So we're focused on the economic development—

**Mr. Randy Hillier:** My question was, why doesn't your ministry have jurisdiction on that bill?

**Hon. Michael Gravelle:** Our ministry has responsibility for economic development in northern Ontario, and that's what we're focused on.

**Mr. Randy Hillier:** Is the Far North Act an economic development bill for northern Ontario?

**Hon. Michael Gravelle:** It's a piece of legislation that—

**Mr. Randy Hillier:** Does it impact economic development?

**Hon. Michael Gravelle:** It's a piece of legislation that indeed is very much focused on First Nations being able to have significant say in decisions related to conservation and economic opportunities.

**Mr. Randy Hillier:** Only First Nations?

**Hon. Michael Gravelle:** No. This is where the opportunities—this is why we are focused, as our ministry should be, I believe, on the economic development opportunities in northern Ontario.

**Mr. Randy Hillier:** But they're all opposed. All the First Nations are opposed to this bill in northern Ontario.

**Hon. Michael Gravelle:** As I said, we have been working very closely with a number of First Nations. I was up at four First Nations this past March: Marten Falls, Webequie, Eabametoong and Neskantaga. I was working with each of the chiefs about some of the opportunities that we have. I can tell you that those discussions that I've had with them, and may I say with other First Nation leaders as well—there's a desire to move forward on the economic development opportunities.

The challenge, we believe, is to get this right and to manage it. I won't in any way suggest that this isn't a challenging, complicated process. Quite frankly, what I'm perhaps most proud of is that our government is committed to it as part of our Open Ontario plan, and in fact, we're committed to, under our ministry, having a Ring of Fire coordinator, who will be helping lead that process. I think that's a role that is appropriate for our ministry. We are looking forward to making an announcement very soon in that regard.

**Mr. Randy Hillier:** Have you hired that Ring of Fire coordinator?

**Hon. Michael Gravelle:** We're pretty close to making an announcement in that regard.

**Mr. Randy Hillier:** Any time frame, other than "pretty close"?

**Hon. Michael Gravelle:** Soon.

**Mr. Randy Hillier:** This year, next year?

**Hon. Michael Gravelle:** Very soon. I think it's fair to say that it's very soon. I don't mean to be cute, but we haven't announced it yet, but we will be announcing it very soon.

That's a very important part of making sure that this extraordinarily exciting economic development opportunity, which must benefit all—I mean, that's one of the key elements of this. It has to benefit the communities that are close to the development, those opportunities, which is why our ministry's relationship with the First Nation communities, particularly up in the Far North, is so important. That's why I was so pleased to sign that letter of intent with Chief Eli Moonias—

1640

**Mr. Randy Hillier:** The Ring of Fire coordinator: Will he be coordinating economic development or park activities with the Far North Act now in place? Is this another MOU, memorandum of understanding, with the MNR on the Ring of Fire coordinator?

**Hon. Michael Gravelle:** I'm a little surprised by your approach in this. Clearly the Ring of Fire coordinator is going to be working to help manage the process of bringing forward this very exciting economic development opportunity, and it's one that does need to be managed in the right way and a very sensitive way. It is going to require bringing together a number of ministries; it's certainly going to require working with First Nations in a very sensitive and always fair manner, and it will be important to work with the company. So it is certainly a commitment. It's part of our Open Ontario plan to move forward on the Ring of Fire.

We've put together a \$45-million skills training program because, again, we want to be ready. The \$45-million skills training program is very much a project-based program; there are applications that are out there now. So we're trying to—not trying; we are focusing on making sure that when this project moves forward, people are poised to be able to take advantage of some of the really great jobs that will be there. Our ministry is focused very strongly on that. We spend a fair amount of our time focusing on the opportunities that are there in terms of the mining sector. That's part of it.

The Ring of Fire coordinator is an extremely important position. There was a great deal of interest in the job itself, I understand, and, again, we're looking forward to making the announcement soon.

**The Chair (Mr. Garfield Dunlop):** We're down to four minutes in this round.

**Mr. Randy Hillier:** We'll move to forestry just for a short period of time, because the minister only got to forestry for a short period of time.

You said Ontario has some of the best-managed forests. We're down to approximately 10 million to 12 million cubic metres being harvested now, from a high of over 20 million—23 million, I believe. One of the interesting facts that I've seen is that we harvest very little per acre of crown land, our crown forests, relative to other countries.

Typically, we've seen in the Nordic countries that they will harvest up to 10 times as much fibre per acre of land as we do here. Of course, it should be clear to anybody that productivity is greater there in Sweden and Finland than here. Their forest lots, just like our forest trees, are sustainable and renewable.

So this question—and we'll get a lot more into forestry, because you know not everybody has been happy with your forest tenure review and a host of other environmental constraints being placed on forestry. What is your ministry doing to actually increase the probability of greater productivity on our crown forests?

**Hon. Michael Gravelle:** Well, we certainly are proud of the fact that we have one of the best forest management systems—

**Mr. Randy Hillier:** Well, our productivity isn't—

**Hon. Michael Gravelle:** We have our forestry ADM here, who will happily speak about that.

What I would like to have an opportunity to talk about is the fact that we do see some real opportunities to revitalize the forestry sector and we've taken a number of measures to try and do that through some of the programs and incentives that we've brought forward in the past four or five years and certainly with some of the decisions we've made. You made reference to the amount of wood that was harvested in the last year, and what we have been able to do as an interim measure is open up a wood supply competition for a very significant amount, I think somewhere close to 10 million cubic metres of wood, and we had a competition. We are very keen to see our wood put back to work. The wood supply competition is something that we think will make a real difference, and there has been significant interest in that wood supply competition. I think there were 115 applicants with proposals.

It's a process that is complicated and is being overseen by a fairness commissioner, because we want to make sure that we are doing everything in a very fair way, but we're moving through that process and hoping to have some recommendations coming forward sometime in the fall so we can do that.

So that's one of the ways that we certainly want to see wood that is actually not being used, that is ultimately not being harvested—that we can do this. That's one of the short-term measures that we put in place to see our wood put back to work.

You did speak about our reform or our modernization of the tenure system, and I certainly look forward to talking about that. Any time you bring forward what can be a significant change in how you manage the system, it really can be met with some resistance. We've had some pretty significant—

**Mr. Randy Hillier:** Like the Far North Act—

**Hon. Michael Gravelle:** Sorry?

**Mr. Randy Hillier:** Like the Far North Act, as well, I guess.

**The Chair (Mr. Garfield Dunlop):** That pretty well winds up Mr. Hillier's time. We're a few seconds over.

We'll now go to the third party. Mr. Hampton, you have the floor for 30 minutes.

**Mr. Howard Hampton:** I intend to use the floor for 30 minutes.

When I told a number of people that I was going to have a chance at the Northern Development, Mines and Forestry estimates, I received a flood of emails raising a number of issues. I said that I would raise the issues that people have sent to me. Hopefully, later on in this process, I'll have an opportunity to actually ask some questions about them, but I want to take the time now to raise the issues.

The first issue that was raised with me—and it was raised literally by dozens of communities, especially across northwestern Ontario: They can all go to a computer website, they can read maps, and increasingly they are disturbed by what they are seeing. Over the last seven years, they've watched three paper machines disappear from Kenora; two paper machines disappear from Dryden; one from Fort Frances; two from the large Bowater complex in Thunder Bay; one from the Abitibi Mission mill in Thunder Bay, which is no longer—I think it has been reduced to scrap metal; three from the Cascades mill in Thunder Bay; one from the Stone packaging mill in Thunder Bay; two from the Red Rock mill in Red Rock; and three from the St. Marys Paper mill in Sault Ste. Marie. So they have watched 18 paper machines leave the province, from Sault Ste. Marie west.

The same people, if they go to AbitibiBowater's website, will see that AbitibiBowater is still operating 12 paper machines in Quebec. They'll see that Domtar is still operating three paper machines in Quebec; that Kruger, as I understand it, is operating six; that Tembec is operating four; that there are 20-plus paper machines operating in Quebec.

If they look to the south of northwestern Ontario, if they go over to International Falls, Minnesota, which is directly across the border from where I live, two paper machines are operating; if they go down to Grand Rapids, Minnesota, two paper machines are operating; if they go down to Duluth, Minnesota, a paper machine is operating. If they turn to Manitoba—yes, Manitoba has a small forest industry, but the pulp mill in The Pas is operating, the OSB mill in Swan River is operating, and the Manitoba government is actively considering a worker buyout of the Pine Falls mill to keep it operating.

**1650**

So people say to me all the time, "We're left in northwestern Ontario with only three paper machines still operating; 18 have left our jurisdiction. Yet if we look over to Quebec, we look down to Minnesota or we look out to Manitoba"—in other words, look to the east, look to the west, look the south—"machines are still oper-



ating.” They’re trying to figure out: How could so many paper machines be shut down in northern Ontario? How could so many thousands of people be put out of work? Yet we look to the jurisdictions around us, and there still seems to be a very viable pulp and paper industry operating. I want to explore those in some detail as we go from here.

It doesn’t end there because, as we all know, paper machines also have an implication for sawmills. For sawmills to be economically viable, they have to be able to sell the lumber they produce, but they also have to be able to sell the residuals—their chips.

I think everyone knows that when you lose 18 paper machines and you lose the hardwood pulp mill at Bowater in Thunder Bay, and the hardwood and softwood pulp mills in Terrace Bay are currently shut down, and the softwood pulp mill in Marathon and the softwood pulp mill in Smooth Rock Falls—when you lose that many pulp machines and that many paper machines, the viability of sawmills is very much in question because there won’t be the paper machines and pulp machines around to use the residual chips.

So, if we go from the Manitoba border east—and we’ll have an opportunity to fine-tune and check these—as I understand it, the sawmill in Kenora is shut down, the sawmill in Ear Falls has shut down, the sawmill in Hudson has been shut down again, the sawmill in Atikokan Sapawe is shut down, Northern Hardwoods in Thunder Bay is shut down, Great West Timber in Thunder Bay is shut down, Northern Wood Preservers in Thunder Bay is shut down, Nakina is shut down, Longlac is shut down, White River is shut down, and Dubreuilville is shut down. I’m not sure about Hornepayne, because, as you know, they have to do some reconstruction work there, but the last I’m told is that it’s still shut down and not producing.

That’s 12 sawmills. When I talk to people who are knowledgeable about the industry, they say, “If we’ve lost 18 paper machines, not all of those 12 sawmills will be able to open up.” Even if Obama suddenly starts subsidizing housing like never before in the United States and the lumber market in the United States returns, those sawmills won’t be able to open up because they will not have a place to put their residuals.

There is another piece to this too, because when I talk to the manager of what is now just a pulp mill in Dryden—seven years ago, the Dryden pulp mill/paper mill/sawmill complex employed 1,100 people and another 1,100 people in the forests and trucking. Today, on a good day, you’re lucky to find 300 people in the pulp mill. The sawmill and paper machines are completely shut down and you’re lucky if you can find 400 people working in the bush and in transportation.

But what even the mill manager finds disturbing is that what that mill is doing now—it is still using all kinds of really good Ontario wood fibre; it’s turning it into semi-processed pulp and it is shipping it to Domtar’s mills in the United States where the really high-end jobs, the skilled jobs, are now located, producing high-quality

paper. The instrument mechanic jobs, the electrician jobs, the millwright, the machinist, the welder, all the good-paying jobs that involve skill, increasingly are located in the United States.

We provide the high-quality fibre. We harvest it, we semi-process it and now we ship it to the United States, where it’s processed into high-quality finished products. But with that shipping of the semi-processed resources have gone thousands of good jobs.

It’s not just the pulp mill in Dryden. The pulp mill in my hometown, in Fort Frances—while they’ve shut down one of the paper machines, the pulp mill is operating 24 hours a day every day that they can run it. If they can run it July 1 to Labour Day, they do. If they can get an agreement to run it Christmas Day, Boxing Day and New Year’s Day, they do. And what do they do with the pulp? They ship it to AbitibiBowater’s mills in the United States in semi-processed form, and the good jobs producing high-quality paper are now in the United States.

When I call my friends in your city, Thunder Bay, and ask about the Bowater kraft mill in Thunder Bay and I say, “How’s it going?” “Oh, we’re pumping out kraft to beat the band. We’re taking good, Ontario wood fibre, turning it into semi-processed pulp at the AbitibiBowater kraft pulp mill in Thunder Bay, and we’re shipping it to the United States, where that pulp is then mixed with rather inferior fibre from the United States and is used to produce a high-quality product.” The good jobs—the instrument mechanic, the computer technician, the electrician, the millwright, the machinist, the pipefitter—have all gone. And the story goes on.

Increasingly, our forest sector now seems to be that we harvest wood fibre that is second to none in the world, we semi-process it and we ship it out of the country, largely to the United States. People are saying, “How could this happen in five or six short years, that we could lose all of this?” Yet when we look at the jurisdictions around us—we look at Quebec—there are still very viable paper mills and good jobs. When we look at northern Minnesota, there are still very viable paper mills. When we even look over to Manitoba: viable pulp and paper mills. I want to return to that issue because it seems to me that somebody has to answer some questions.

The other issue I want to raise is, your officials have talked a lot about forest tenure change, and yet when I talk to people about what’s being proposed—I actually went to the meeting in Dryden. I didn’t announce I was there. I sat very quietly at the back of the room and listened to the not very warm response that your officials received. In fact, I would say that the response was more or less akin to “Get out of town, because we’re not interested in your proposal.” I want you to know that I didn’t have anything to do with that. I wanted, purposely, to be the fly on the wall listening to what was going on.

When I talk with people in Kenora, they’re not very receptive. When I talk to people in my area immediately along the Minnesota border, they’re not very receptive. When I ask my colleague Mr. Bisson, who has, over the

years, raised the issue several times about wood fibre that is harvested in northeastern Ontario and then goes across the border to Quebec where it's processed, where it generates good jobs, sustainable jobs, good-paying jobs, trades jobs, skills jobs, he's not happy either, and he says that people in his part of the province won't be happy. This is what folks in my part of the province are saying too.

We see this all the time. We see wood buyers come up from northern Minnesota and they go up and down the roads, the highways, the side roads from Rainy River all the way over to Atikokan—I think there's even some of this in Thunder Bay, too—and they look for wood that they can buy to take down to Minnesota to generate jobs there.

In the past, crown wood was not up for bid, but what your ministry is now proposing is even to put the crown wood up for bid. And I can tell you that what people see happening is, they see a plethora of American wood buyers coming up—in one case, from Minnesota—and putting bids on crown wood, not to generate jobs in Ontario but to take the wood fibre down to Minnesota and generate jobs there.

I did some comparison, for example, of industrial hydro rates in Manitoba and industrial hydro rates in northwestern Ontario. You might want to go to Manitoba Hydro's website, because they give you the monthly hydro bill comparison between a sawmill in Manitoba and a sawmill in northwestern Ontario, a pulp mill in Manitoba and a pulp mill in northwestern Ontario, a paper mill in Manitoba and a paper mill in northwestern Ontario. Maybe you shouldn't go to that website because the comparison might make you ill.

The operations in Manitoba are now paying, in terms of the monthly hydro bill—and the bill's the only thing that counts. The term "hydro rate" means less and less all the time now in Ontario because you've got the global adjustment factor, which is not part of the rate, and the global adjustment factor is what is causing paper mills and pulp mills to have massive indigestion, because that number adds so much money to the hydro bill.

**1700**

If you looked, somebody with a sharp pencil would say, "You know what? I'm going to locate my sawmill in Manitoba, close to the northwestern Ontario border so I'll have low operating costs—in terms of hydroelectricity and other things—and I'll just go across to Kenora and Vermilion Bay and Ear Falls and Dryden and buy the wood and bring it to Manitoba and process it. It'll be a lot cheaper."

You know what else? There's another not very nice comparison: If you own a truck and a trailer, and you're trucking wood in Manitoba, your insurance costs are about one third of owning a truck and trailer and trucking wood in Ontario. It's the benefit of public auto insurance over this private disaster we have in Ontario. It costs a lot less.

People look at this and they say, "My God. This is a recipe to export all kinds of jobs into Manitoba com-

munities along the Manitoba-Ontario border." When I talk with my colleague Mr. Bisson, he says the same thing. He says, "We put up the wood in the Ottawa Valley, North Bay, New Liskeard, Kirkland Lake, Timmins, Iroquois Falls, Cochrane, Hearst; we put that wood up for bid and you'll have wood buyers coming from Quebec, only too happy to bid on Ontario wood and take it over to Quebec to generate jobs and prosperity there."

People look at this proposal and say, "How does this benefit Ontario? How does this benefit Ontario workers? How does this benefit Ontario communities? How would it benefit Ontario's economy?" They can't see a way; they can't figure it out. What they see happening is, we provide the good wood fibre, we harvest it, and somebody takes it to another jurisdiction to process it, where all of the good jobs—the high-end jobs, the high-skills jobs—are, and we're left basically—what's the old description?—hewing wood and drawing water.

But it doesn't end there. Some really nasty things have happened on the forest sector side. I did this calculation a few weeks ago. I think your government has given—I'll just single out one company, because I think it may be the worst of the worst—about \$180 million in loans, grants and financial benefits to the Buchanan Group of Companies in about the last three or four years. The number may even be higher now, because I haven't been able to check all the websites lately and go through the fine print. But I think it's \$180 million.

At the same time that those companies have received \$180 million of government money, taxpayers' money, there are over 2,000 Buchanan workers—most of them have been out of work now for two years; some of them, three years—who have not received their vacation pay, have not received their severance pay, have not received their notice pay, and some of them are owed literally tens of thousands of dollars by the Buchanan Group of Companies. I suppose you get emails from some of these people. I get them all the time. Some of them are now 59, 60, 61 years old. Even if the Buchanan mills start up again—and many of them doubt that they ever will—they say, "I won't be going back to work. I was trying to make it to age 60, age 61. I'm now 62, 63 years old and I won't be going back to work but I would like what's owed to me. I did put in 35 years of service, and I would like what's owed to me under Ontario law."

What they have a hard time figuring out is, when the government was giving \$180 million to the Buchanan companies in the form of grants and loans and loan guarantees and other financial benefits, how come no one said, "Some of this money should go to the workers who, under Ontario law, are owed tens of thousands of dollars"? I'm going to want to explore that issue too.

But there's another piece of this that people find disturbing. There are some people—believe it or not—in this province who care very much about the issues of forest renewal. They understand that if we're going to have a viable forest industry, yes, you will have to harvest trees; you'll have to harvest wood fibre. But they



recognize that the harvesting of trees does not create a desert, that if you pay attention to issues like forest renewal, you can not only renew that forest, but you may actually be able to, I think as my colleague alluded to, even improve the quality of that forest. That's, to a large degree, what has happened in Scandinavia. They spend a lot of time and effort focusing on the productivity of the forest.

But I'm being told by people that the forest renewal trust fund is in terrible shape, that the forestry futures trust fund is in terrible shape, that all kinds of companies have not been paying—even though they've harvested timber, they have not paid what they are by law required to pay into the forestry futures trust fund and the forest renewal trust fund.

I wonder who has not been enforcing Ontario law, because the law says that when you harvest a certain volume of timber, you have to pay a set amount of money into those two trust funds. I wonder who hasn't been enforcing Ontario's laws. We'll have a chance to get into that as well.

There are many other forestry issues I look forward to getting into, but you have to share our time between forestry and mining.

*Interjection.*

**Mr. Howard Hampton:** Randy, you do fine on that. I think you'll handle that quite well.

Over the last four years, not only have we seen a flight of good-quality forest sector jobs from northern Ontario—something which I think is a travesty, because I think a different strategy would have enabled us to sustain many of those jobs. Not only has it been the forest sector, it's also been the smelting and refining part of mining.

First was the decision by what was called Vale Inco—now they just want to call themselves Vale—to shut down the copper smelter in Sudbury. They continue to mine copper in Sudbury; as I'm told, Vale Inco mines a lot of copper in Sudbury. But they don't smelt it and refine it in Sudbury anymore; they ship it to Quebec and they smelt and refine it there. The net, I'm told, in Sudbury, was 250 good jobs. Some of the jobs were actually in the plant and some of them were contracting jobs, because some of the maintenance and things like information technology had been contracted to outside firms. But it was at least 250 good-quality, high-end jobs, involving a lot of skill—gone.

Then there was the decision this spring—well, the decision wasn't made this spring, the decision was made a year ago by Xstrata—to shut down the metallurgical centre in Timmins. I remember Xstrata coming to the Bill 100 hearings when your government outlined its blueprint for electricity in Ontario, back in the summer of 2004. Xstrata was very pointed. They said, "This is going to drive industrial hydro rates through the roof. We are the largest industrial customer of electricity in Ontario," because the metallurgical centre in Timmins is almost totally driven by electricity. They said, "If you do this, it's going to make it very difficult for us to stay in Ontario."

Here we are in 2010 and they're gone. With them, I am told—when I talk to people in Timmins, they say the overall impact is the loss of 2,000 good jobs in Timmins, not just the 700 or so jobs in the plant. Again, these are really good jobs: instrument mechanics, computer technicians, electricians, welders, pipefitters, millwrights, metallurgical technicians. It's not just those jobs, it's all of the other service jobs and contracting jobs of small companies in Timmins that were also part of the operation—2,000-plus good jobs.

1710

Again, it's disturbingly like the forest sector. We will now mine the resource in Ontario, we'll take the resource out of the ground, but the resource will be shipped to another jurisdiction to provide the good-quality jobs. I'm trying to figure out, and believe me, hundreds of thousands of people across northern Ontario are trying to figure out, how this is a recipe for success, because it doesn't seem to be a recipe for success. It seems like we're setting ourselves up to go back to the condition we were in 50 or 60 years ago, where the resource was taken and shipped to another jurisdiction to provide good-quality jobs. I can tell you, the tens of thousands of people who have lost their jobs and lost their homes—and some of them have lost their families, and some of them, sad to say, have lost their lives—want an explanation about how this is a path to a better future, because they sure don't see it.

I was asked by a number of First Nations chiefs to raise some issues, and I'll want to raise the specific questions later. For example, Chief Donny Morris of Kitchenuhmaykoosib Inninuwug First Nation: Chief Morris is a very interesting fellow. He's very quiet spoken, he's very thoughtful. Oftentimes, when you have a meeting with him, he will sit for 15 or 20 minutes and just listen, and then he'll ask a very polite question. He's one of the most decent people I've ever met. But Chief Morris spent over two months in a provincial jail, in part thanks to your government, so he has some issues he wants raised.

One of them is that he can't figure out—he cannot figure it out for the life of him—

**The Chair (Mr. Garfield Dunlop):** Five minutes, Mr. Hampton.

**Mr. Howard Hampton:** —why the government of Ontario joined with Platinex Inc. in a lawsuit that attempted to sue a poor First Nation to the tune of \$11 billion, a First Nation where 85% of the people in that community live in poverty, as you and I would describe it, in terms of their incomes. He can't figure out why the lawyer representing the government of Ontario actually went to the hearing of the case and asked for a penalty against the First Nation that would "hurt" the First Nation—I quote. Your lawyer, the government's lawyer, asked for a penalty that would hurt the First Nation. The judge obliged. He put Chief Donny Morris and I believe it was four of the councillors in jail, and they stayed in jail for more than two months, until the court of appeal had a chance to hear the appeal.

I went down to the appeal. I went down to Queen Street and heard the three-judge panel, and it was

embarrassing to listen to, because frankly, Ontario didn't have a leg to stand on. They completely voided the decision to jail the chief and to jail the other councillors. I went to see Donny Morris in jail and I went to see the other councillors. I also went to see the 65-year-old grandmother who spent two and a half months in jail because the government of Ontario wanted a penalty that would hurt the First Nation. And I'm trying to figure out, what is a 65-year-old grandmother doing spending two and a half months in a provincial jail when all the First Nation did was to say politely, diplomatically, but very consistently, "We are not ready for mining activity in the territory surrounding our first nation?" They didn't say, "We're never prepared to consider mining." They didn't say that. They didn't say, "We are philosophically opposed to mining." What they said is, "Given the social conditions in our First Nation, given the economic conditions in our First Nation, we are not ready. We could not handle this. This would create real social problems in our community."

I'm still trying to figure out why your government would go and ask for a penalty to hurt people who are just being that honest and that upfront, and then put a 65-year-old grandmother in jail for two and a half months for doing what my grandmother might do or I might do. But it doesn't end there, because after the court of appeal voided the decision and said it was wrong to put the chief and council and a 65-year-old grandmother in jail for two and a half months, your government went to Platinex—and as far as I can figure out, I think the tally is now \$25 million and counting. You provided Platinex with \$25 million of compensation—

**The Chair (Mr. Garfield Dunlop):** Just a minute to go, Mr. Hampton.

**Mr. Howard Hampton:** Thank you.

It may amount to more than that, but the First Nation had to use money out of their housing budget, their health budget, their education budget and their sports and recreation budget just to hire lawyers to go defend them. When they asked your government for compensation, they were told no, and this all goes out of a mining claim, something that your ministry is responsible for.

The chief of Neskantaga wants me to ask you how it is that a mining exploration company could set up an illegal airstrip on crown land—all right?—an illegal airstrip. God, I look forward to the day where somebody says, "I'm just going to build an airstrip 20 miles outside of Toronto," and just do it and see what the hell happens.

But your ministry and the Ministry of Natural Resources did not say boo when an illegal airstrip was set up. He finally had to write to you, to the Minister of Natural Resources and the Premier and say, "Isn't anybody enforcing Ontario's laws when it comes to mining exploration?" Because, from his perspective, it doesn't seem so.

**The Chair (Mr. Garfield Dunlop):** I think that's your time, Mr. Hampton. Thank you very much. You'll have more opportunity after. That concludes the third party's time.

Now, Minister, you have another 30 minutes in which you can respond and add whatever you need to the comments you've heard or to your own comments.

**Hon. Michael Gravelle:** I appreciate the comments and the discussion that has already taken place. In fact, I think we're going to have a very interesting discussion in which we may not always, obviously, be exactly on the same page. I want to take the opportunity, particularly with the member for Kenora, to say that we indeed will be—

**Mr. Howard Hampton:** Kenora—Rainy River.

**Hon. Michael Gravelle:** Sorry, Howard. I'm not supposed to call you that, am I? The member for Kenora—Rainy River. These are all issues that we'll look forward to providing some more detailed responses on.

Let me say something, though, in a general sense. I do want to try to complete some more of my remarks—maybe I won't get them all in. Certainly in terms of the forestry sector, we are determined and we believe that we can play a significant role in revitalizing the forestry sector in the province of Ontario. There is no shortage of challenges. Decisions that were made in terms of providing even some of the incentives, some of them worked better than others. I sure won't argue the toss on that. In fact, before I was a minister, I was one of the members of the backbench and I was working very hard to fight for a number of things that I thought were right as well.

But we believe that, indeed, the measures that we're taking now, some of the measures specifically related to the forest tenure system and certainly the wood supply competition, are going to make a significant difference in terms of how the forestry sector is revitalized.

It's interesting hearing your comments. I appreciate the fact that you went to the forest tenure session in Dryden. I was at several of them myself. You're right. There certainly was a great deal of interest—and again, I think I referenced it in my earlier remarks that whenever there's a significant change, there's resistance, but there's resistance frequently—or perhaps we need to have a longer discussion so that each of us understands what direction we're going in. I think that, in some ways, that's what has happened here. I really do feel that, quite frankly, from our consultations with the public, from which came the recommendations in terms of the proposal to move forward with the modernization of the tenure process—the frustrations that have been expressed by yourself and other members of the Legislature over the years about how the system works now in terms of the licensing, the allocation and the pricing have been expressed over a number of years. I think there's no doubt that the modernized tenure proposal that's put forward now, which we are in the midst of discussing and consulting on as we speak with industry and with our aboriginal communities, with northern municipalities—we want to make sure that we get it right. We believe that indeed this is a reflection of what we're hearing needs to happen.

1720

I've had discussions with a number of people who misunderstood even the timing and the goals of what we



were doing with the forest tenure process. I believe that we have an opportunity to get this right with little changes, which is why we're focusing so significantly on testing the principles of that tenure model. I don't mean 10-year; I mean tenure. If we can test those principles in a couple of pilot projects, I think that's going to be a very important part of the process, so I appreciate that.

In terms of your general description, I know you also know—I would never be so rude as to suggest you were being remotely simplistic, because I know you wouldn't do that and I appreciate your understanding of the industry—clearly there has been a real sea change in terms of the realities of the forestry sector. There's no question. I remember when the dollar was 62 cents, not that long ago. When it rose up beyond that, obviously that made a huge difference. We certainly all know that there's a difference in terms of the industry. We believe that the industry is in a transformation, and indeed it is.

It's not to say that we aren't looking for some recommendations on how we can do it better, but I think the incentive programs that we've put in place were the best effort to find something that worked for industry and worked for the workers as well. The goal is to try to have as much opportunity as possible to get companies back up and running, and that's really been my focus.

I will certainly sit here and tell you that I am pleased that the Terrace Bay pulp operation is back up and running. It means that we're going to have 340 people who—this is an operation in Terrace Bay that you know well, that was pretty close to just being sold for scrap. You made references to the implications of a mill in terms of how it affects the sawmills, and you're quite right. The fact that we were able to position it under—with very strict conditions, the company was able to seek other financing and get out of CCAA responsibility. The fact is that they were able to get out of that and the operation is opening up. It's good news, and I'm sure you wouldn't argue with that; you're glad to see the workers getting back to work. Again, I appreciate you want to have a larger discussion about that, and that's fair game. Our ministry's focus is to make the best decisions we can to help the industry itself.

I want to make a reference, if I may, to Chief Donny Morris and to all the other First Nations chiefs I've worked with. I have a great deal of respect for Chief Morris, as well, and share your affection for him. He's a remarkable man. Again, our goal, particularly as we've worked our way through the modernization of the Mining Act, was to be working as closely as we could in a consultation process that was virtually unprecedented. I think we managed to do that. Certainly, that is taking place. There is no question that when you're moving through a piece of legislation that needs a significant adjustment, it's more challenging.

My perspective as minister is that it's important for me to have an honest, sincere relationship with the other people I'm working with. I certainly have that respect and trust for all the community leaders, including our First Nations, Métis and Inuit leaders in the province of Ontario.

I appreciate that we are going to have an interesting discussion over the next couple of days as we continue the rest of our discussion. As I say, we will be doing some work to try and get some responses to some of the issues that you've raised, and I appreciate that.

I probably won't get through the—I'm going to do my best. Maybe I'll talk faster.

**The Chair (Mr. Garfield Dunlop):** You can always let Mr. Delaney—he'll cover your stuff in his time as well.

**Hon. Michael Gravelle:** Thank you very much for your patience. Certainly, Mr. Hampton, member for Kenora-Rainy River, and certainly Mr. Hillier—I've forgotten your riding: Lanark—

**Mr. Randy Hillier:** Frontenac-Lennox and Addington.

**Hon. Michael Gravelle:** Both made reference to the importance of the forestry sector. Indeed they're right that in 2008 the provincial forestry sector did support almost 200,000 direct and indirect jobs and it did have annual sales of I think about \$14 billion. The tax contributions have been significant; historically, about \$2.3 billion, including \$800 million which goes to the province of Ontario.

There's no question that a very large number of communities in the province rely on the forestry sector. More than 260 communities do rely on the forestry sector to sustain their economies. Of those 260, more than 40% are considered pretty highly or very much dependent on the forest sector to survive. So when the sector is in trouble, it truly has a devastating effect.

I'm the MPP for the riding of Thunder Bay-Superior North and I've been working directly with and personally know a number of people who've been very impacted by the downturn in the sector and the impact on some of the operations. Again, I reference the fact that the opening of the Terrace Bay pulp mill is a good piece of news for 340 workers and their families, and it may have an impact on many more as we see this move forward. Pulp is at a pretty good price right now, and that's good news. I certainly have been through the downtimes as well.

Our goal—my goal, personally, but my ministry's goal—is to restore the competitiveness of the forestry sector. That's what I think you would expect us to do and expect me to say, and I mean it very sincerely. We want to support the communities in northern Ontario that depend on this sector. We've actually tried very hard through some of the other opportunities we have in our ministry, like through the northern Ontario heritage fund, to make some adjustments.

The member for Kenora-Rainy River made reference to the Xstrata situation. We were very involved in that very difficult discussion period of time. The Premier himself got very directly involved, and through the heritage fund we were trying to be extremely supportive of the community as well.

I think it's important for me to have the opportunity at this time to highlight what the mandate of our forestry division is and to give you some details on some of the

incentives that we have brought forward as one of our goals to help the sector. Our mandate of our forestry division is to provide leadership on initiatives to revitalize and to transform the forest products sector. We do have the responsibility, we believe, to advance industrial strategies, competitiveness measures and international trade to support a strong, prosperous and healthy industry. So we have made available about \$1 billion worth of programs to help the industry and others transform and diversify the products and the markets.

I made reference to the fact that, since 2005, we've put a number of programs in place. I'll outline some of the programs. The forest sector prosperity fund is a good example. About \$207.2 million has been offered through that fund. About \$127.9 million of that has been committed, and a number of mills have received a total of \$34.4 million. Our loan guarantee program: About \$141.4 million has been offered through that program. About \$104.9 million has been committed to 13 mills, and about \$28.7 million has been drawn. Those two programs have leveraged a total of just over \$887 million in new private sector investments, and each one of those successful ventures is obviously good news.

1730

There was a reference made, actually, as a result of one of the questions from my colleague Mr. Hillier about the northern pulp and paper electricity transition program. This is a great program: \$113 million has been disbursed in nine mills through that program.

One of the really good stories, and one that, I suspect, all members here would acknowledge was a good one, is the uploading of road construction and maintenance costs, which had been downloaded by a previous government. This is one that has been extremely well received by industry. Again, I don't think there would be any argument from any of us. About \$329.7 million has been disbursed in road construction and maintenance—that's very important—and \$93 million in stumpage relief. I'm glad you're pleased by that amount—

**Mr. Randy Hillier:** That laundry list just keeps getting longer and longer.

**Hon. Michael Gravelle:** Again, I appreciate it. These are important programs that are making a significant difference for a sector that truly has been going through very challenging times.

I must admit that the uploading of the costs to the province of road construction and maintenance has been hugely helpful to the industry at a very, very difficult time; also, \$4.1 million in wood promotion and \$46.5 million in forest inventory funding for, obviously, better forest management planning.

I might reference, just because the member for Kenora-Rainy River brought it up, that there was a \$20-million loan in 2006 for the purchase of Terrace Bay Pulp, which was subsequently repaid, and, of course, the conditional \$25-million loan for the re-start of Terrace Bay Pulp. Again, we are pleased that indeed the operation is opening.

In essence, all those measures have flowed more than \$711 million in assistance to the forestry sector.

Another piece of good news that was in our 2009 budget, which all members—certainly in northern Ontario but certainly all our government members—were happy about was that the province committed \$25 million in the 2009 budget to support the creation of a centre in Thunder Bay for research and innovation in the bio-economy, with a focus on forestry. CRIBE, as it is known, the Centre for Research and Innovation in the Bio-Economy, is up and running.

It might be useful for me to provide at least one note of clarification about the disbursement of funds from the forest sector prosperity fund. To ensure appropriate accountability and appropriate diligence with public funds, we do have to ensure that legal agreements are in place. There has been some question about what money has actually been offered and what money has been taken up. The work on a project has to be completed before we reimburse the companies for their expenses. I think that's an appropriate way to do it.

In some cases, I think very much due to the unprecedented economic downturn, including the rather dramatic and continuing collapse of the US housing market, coupled with the global financial crisis, some of the companies have not been able to complete their projects and therefore draw on the funds for which they had been approved.

I made reference at the top of my remarks to the two issues of wood supply—the wood supply competitive process—and our forest tenure and pricing system review. These are two that we feel very strongly about. I think everybody in this room knows, but I'll repeat it, just to clarify: Tenure refers to the licensing, the allocation and pricing policy for forest resources. Certainly, tenure policy plays a major role in determining how forest resources are made available and to whom, and how those resources will be used.

It's relatively clear that the current forest tenure system is not working for everyone. The current system is one that makes it difficult for new players. One of our goals is to even the playing field. It makes it difficult for new players to enter the market and it leaves, I think, communities pretty vulnerable during economic downturns.

I referenced earlier in my remarks in this segment that during the consultations that we really began last fall, before we brought forward our preferred model, we heard from a significant number of individuals and organizations that were very much supporting change. Part of what they confirmed too, and we knew this, was that a significant part of Ontario's wood supply was simply not being used. Our wood supply competitive process, which we're now engaged in, was very much announced as a bridge to the tenure and pricing system. In that case, we are pleased with the number of applications that have come forward. About 115 have come in all; that's a lot of applications. It's been a tremendous amount of work to work through this process.

It's my understanding that ministry staff are very nearly finished evaluating the proposals against the criteria that were pre-established. Certainly, this is a



meticulous and complicated process. I think it's important to note that we are conducting both the evaluation and the selection process under the watchful eye of an independent fairness commissioner. That's obviously a very important way to go about this process.

The truth is, my ministry officials will confirm to you that I've been pressing them to move forward as quickly as possible, and, at the same time, they've been reminding me that this is a complicated process, but that's our goal. Our goal is to announce successful applicants as soon as we can, and I think it's probably fair to say publicly that we expect to announce successful applicants beginning in November. If it can be any sooner than that, that would be great. Are they wincing behind me?

The very fact that we need to hold a wood supply competition really demonstrates why we need a new tenure system. Holding a fair and transparent wood supply competition does take time, but meanwhile, mills are standing idle and jobs are going wanting. I think that's a good reason why we should have a system that makes wood available in a more timely manner. We want a system that I believe we'd all agree is more market-responsive to keep wood working. If mills close, the wood they were using should be available to someone else who can use it. It certainly should not be hoarded. That seems like common sense to most people and that is, indeed, why we want to establish a marketplace for crown wood.

The preferred framework that we have brought forward contains many of the suggestions we received through our public consultations, and that includes the recommendation to separate forest management operations from the mills themselves. It includes having more involvement by local and aboriginal communities. We've heard that strongly. Again, I've heard that in the Legislature over the years. Of course, like everything else, it's difficult if not impossible to incorporate all the suggestions because some of the interests are literally conflicting.

I believe strongly—and I know this is something that my colleagues in the northern caucus and many of my colleagues in my party support. They believe that this is the key to building a strong forest economy in Ontario. It's going to take us a while to get there. By basically making sure we have more local involvement, by leveling the playing field, so to speak, so we can allow new entrants into the field, and at the same time maintaining support for the existing industry—I mean, there's no doubt this is a challenging task, but I think those are the key priorities. I think we can make that work and we're doing our very best to do that.

The member from Kenora—Rainy River referenced the fact that in the public consultation he was at some people expressed pretty strong concerns, and that is no secret to us. We expect that kind of an open discussion. I can tell you that we are having very constructive discussions with industry to understand their concerns and jointly find solutions. I can say, without being very specific, we're making some really significant progress in terms of understanding what our goals are. I think it's important

from our perspective that we have a model that will substantially change the way we're doing things.

1740

As I mentioned earlier, we do think it's incredibly important to test elements of that framework in specific areas before we implement them on a broader scale. This is unquestionably an important step. It's going to take some time. We need to make sure that we do it right. I can tell you that, particularly in terms of testing the principles—I hope to be able to have something more to say about this publicly. In fact, I plan to have something more to say about it this fall.

In essence—

**Mr. Randy Hillier:** Tomorrow, in Thunder Bay.

**Hon. Michael Gravelle:** Well, there's an announcement soon; I think I told you earlier about it. It's very soon.

But certainly, together, may I say that I think the wood supply competition and the forest tenure and pricing modernization are key short-term and long-term initiatives in promoting the fullest and, we believe, the most innovative use of Ontario's wood so that we can continue to build a new forest economy.

Mr. Chair, I do want to ask you how much time I have left.

**The Chair (Mr. Garfield Dunlop):** You've got six minutes.

**Hon. Michael Gravelle:** Let me make some reference to the mining industry, particularly as there were some questions about that. I think some of the industry highlights would be useful.

Ontario is the leading jurisdiction for the production of non-fuel minerals in Canada. We are a major player in the world and we're on the way up. I know that's what my colleagues are wanting to happen. In 2009, Ontario accounted for 23% of Canada's non-fuel mineral production. There are about 23,000 people employed directly and another 50,000 indirectly in the processing of minerals in Ontario. It's not secret, exactly, but one of the great stories of the mining sector is the mining equipment supply and services sector. It employs at least another 25,000, and it's a huge part of the economy in the province, certainly in northern Ontario. I think that is a story that needs to be told even better.

Another very significant part about the mineral sector is that the mineral sector is the largest private sector employer of aboriginal people in Canada. There are some extraordinary opportunities that we are working very closely with our aboriginal communities and leadership on. There are some great opportunities, and that's where I make some reference to the Ring of Fire.

When the question was asked to me about the province's ranking—I believe very strongly that one of the really significant ways to look at Ontario as a leading jurisdiction is to talk about exploration. Ontario has led the country in exploration expenditures since 1995. We absolutely expect the province to be out in front once more in 2010, with estimated exploration expenditures of somewhere in the area of \$608 million. That is 28% of the country's total expenditures.

One of the things that I remember well, particularly when we were going through some announcements related to operations that were shutting down for a period of time—when the North American Palladium Lac des Iles operation near Thunder Bay, which produces platinum, shut down, the one thing that they made very clear was that they were going to continue in their exploration activities. They recognized how important that was. That's where some of the really good stories are coming from when we look at the opportunities for mines that have a life—and I know they're always very careful and small-c conservative about the projections in terms of mining life, but by the continual explorations, there are obviously significant opportunities to extend those.

Speaking of the North American Palladium Lac des Iles mine, it has reopened. It resumed production in April of this year. In fact, I think there's going to be sort of a celebration of that sometime in October. That's great news.

I think I made reference earlier to the Northgate Minerals Young-Davidson mine near Matachewan. That's a \$339-million project that is going to create 600 construction jobs, about 275 full-time mining jobs, once the mill is up. That's just positive news—plus an impact benefit agreement that has been signed between Matachewan First Nation and the company. It's just a great example of how there are so many things happening that are positive. I know it's often difficult, perhaps particularly for the opposition members, to focus on the positive things that are happening, but there are, and that's why it's great.

Another great story, of course, is Detour Gold's mine just north of Cochrane. This is an \$850-million project. We're talking, again, about 800 construction jobs, 400 permanent jobs to some degree. There's no question there that these opportunities are real and they're happening. I know, with Detour, they're looking forward to having an official sod-turning or ground-turning some time this year; I think that's their goal.

The long and the short is that our ministry continues to work incredibly closely. I may not get a chance to do this, so maybe I'll do it now. We are blessed in our ministry with remarkable public servants—Deputy—and I'm so grateful for the hard work they do. They are so very, very dedicated. There are many challenges in our ministry as well, but we've got people who are very dedicated.

When I was talking earlier, may I say, about our ministry staff all across the north, one of the great pleasures of being the Minister of Northern Development, Mines and Forestry is that when you go into any one of those communities and talk to the municipal leaders and business leaders, you cannot go to that community without them telling you how much they appreciate the staff work being done by the northern development officer in the community. It's wonderful; it's great. These are people who are connected to the north and connected to their communities. It means a great deal to them to work to see the greatest possible benefits. So I certainly want to thank all of our ministry staff at every level for their strong dedication.

**The Chair (Mr. Garfield Dunlop):** That's your time, Minister, for this—

**Hon. Michael Gravelle:** That's not a bad way to wrap it up, then, because I did want to have that opportunity to thank the dedicated staff.

**The Chair (Mr. Garfield Dunlop):** Okay. We'll go, now, to the official opposition for 10 minutes today, and then we'll adjourn and start again next Tuesday. Mr. Hillier, you have 10 minutes.

**Mr. Randy Hillier:** First off, I just want to reiterate and make sure—previously, I asked for a list of those expenditures out of the services column. So if you can get that for me, preferably before we meet next time.

**Mr. David O'Toole:** Could I just clarify, actually, Mr. Hillier? There were three questions that you had that we're pursuing answers for. One was on services, one was on the roles and responsibilities with respect to the roads capital budget, and one was on what's being done with respect to productivity in the forestry sector—

**Mr. Randy Hillier:** Right.

**Mr. David O'Toole:** Those are the three that I captured that we're endeavouring to get to you quickly.

**Mr. Randy Hillier:** Thank you very much.

The minister said that the current tenure system is not working for some, but of course, it's not working for fewer and fewer, because we have fewer and fewer people in the forestry business.

**Hon. Michael Gravelle:** You're just too pessimistic.

**Mr. Randy Hillier:** I'm going to say this—I was speaking to Phil Ito and Sandy Grella. They're a small operation in my riding. It wouldn't even show up on the radar of northern development, but they own a little outfit called Lanark Cedar. I think their problems encapsulate what's happening in the greater field.

I was talking to them last week. They no longer saw logs at Lanark Cedar. They purchase sawn lumber from others, but they no longer purchase sawn lumber in Ontario. They source their lumber from Quebec, New Brunswick, Maine and New Hampshire. They don't get it here anymore. Their operations have contracted and reduced in size. The cost of doing business in this province is putting them out of business. However, they can still get their material from others, and even the lumber they're getting that's sawn in Quebec may be coming from Ontario, but we're not sawing it here, and pretty soon we're not even going to be doing the value-added that Lanark Cedar does as well.

As the member from Kenora-Rainy River mentioned, he sees these mills open in the United States and other jurisdictions. I, too, drove around this summer, and went down to New Brunswick, and guess what? The pulp and paper mills are all still open in the St. John River Valley. From Edmundson and Woodstock to Saint John, they're all still operating, and ours are closed up. This is not just the worldwide economic downturn. We are doing things specifically in this province that are harming our forestry industry and, indeed, all industries.

**1750**

As I heard the minister go through his laundry list of millions of dollars being spent in programs, the one thing



I didn't hear was any concrete or tangible efforts, regulations or removal of obstructions and obstacles for people like Phil Ito and Sandy Grella. What are you doing so that they can remain competitive? What are you doing to eliminate those things that are making it too costly to do business in this province—not just stroking out cheques, but actually doing things? I want the minister to maybe contemplate that. I only have 10 minutes for today but maybe we'll follow up on that next week.

There's one other subject that I wanted to put on the record for the minister to consider. Every municipality in northern Ontario for decades now has been saying that economic development in northern Ontario is reliant on crown land. For decades now, they've been asking the government to facilitate a process that crown land can be used for economic development. Here's one that was sent to the MNR—I'm sure you've got a copy of it as well, Minister—from February 2008 from Garry Parkes, president of Kenora District Municipal Association. It's a document of how crown land could be sold to improve economic development and, indeed, it's required. To have economic development in northern Ontario, we need to use our crown lands better, and we're not doing it.

I think it's important—and maybe this is a question for you. I'm sure your ministry recognizes crown land. To realize some value out of crown land, there needs to be some mechanism to sell it to private people. In this document are crown lands within municipalities. Is your ministry looking at facilitating the disposition of crown land within municipalities in northern Ontario to give them that leg-up, to give them those opportunities for economic development? They have it all listed in here how they could benefit if they had ownership of the crown land within their municipalities. Are you doing anything about it? And if not, why not?

**Hon. Michael Gravelle:** If I could respond to your—

**The Chair (Mr. Garfield Dunlop):** You're down to six minutes now. Sorry, down to four minutes.

**Hon. Michael Gravelle:** Four minutes?

**Mr. Randy Hillier:** Cut him off at three.

**Hon. Michael Gravelle:** You'll find a way.

If I could respond to the first point you made, you're right. We'll get into some further discussions as we have more time next week. One of the real goals of our tenure reform process was indeed to—I've used the expression a couple of times—level the playing field; obviously, access for some of the smaller operators who have been disadvantaged by the fact that the vast majority of the forests in the province of Ontario are being controlled by very few larger companies. That's generally how it's been operated in the past. So that's one of our key goals with the modernization of the tenure system and that's something that we are very keen to make happen.

There have been some discussions related to a co-operative model which have been actually moving things forward in a positive way. But certainly, I'll be very happy to discuss that in more detail with you next week.

**Mr. Randy Hillier:** My question, though, is about this crown land. Are you working with municipalities to

move the sale of crown land within municipalities over to their jurisdiction? And if not, why not?

**Hon. Michael Gravelle:** I'm not sure I've seen that document. In essence, I believe that is the responsibility of the Ministry of Natural Resources. I can tell you that I've had a number of discussions, certainly as an MPP, with a number of my own municipalities which were interested and have had those discussions. I know that there have been a number of discussions related to crown land, particularly cottage lot development in terms of crown land and efforts being made to move that forward, as well.

Again, one of the things I've always found most interesting, particularly since I've had the privilege of being the minister, is that while we have a very clear focus and very clear responsibilities, to some degree there is an expectation—and you're showing it, and I think the member for Kenora-Rainy River is as well. Regardless of whether it's our ministry's responsibility or not, there's an expectation that if it relates to economic development in the north, we have some involvement in it, and indeed we do. That's why, to some degree, when I'm meeting with municipal leaders at the AMO annual meeting—the Association of Municipalities of Ontario—we're not always just discussing issues related to my ministry. We're discussing issues such as that. So we can be a liaison, in many ways, between ministries, particularly if it relates to economic development, so that's one of the things that we do.

**Mr. Randy Hillier:** Minister, at the outset, you said the MNDMF was the only regional ministry—

**Hon. Michael Gravelle:** Correct.

**Mr. Randy Hillier:** —in this Ontario government—

**Hon. Michael Gravelle:** That's right.

**Mr. Randy Hillier:** —and that your job was to be the advocate for that region.

**Hon. Michael Gravelle:** Absolutely.

**Mr. Randy Hillier:** Those are your words. This document has been around for some time. People in the north, all our municipal leaders in the north, recognize that their economic development requires access to the crown lands within their municipal boundaries. Nothing is being done. Are you advocating for crown lands within municipalities—that the municipalities have access to them in a fair and timely fashion? And if not, if you're not advocating for that, why aren't you?

**Hon. Michael Gravelle:** As I was—

**The Chair (Mr. Garfield Dunlop):** You know what, gentlemen? I think that's a question we'd better start answering at the beginning of the next round, next Tuesday morning, because the 10 minutes are half up and we're approaching 6 o'clock quickly.

*Interjection.*

**Hon. Michael Gravelle:** No, I was ready.

**Mr. Randy Hillier:** We've still got five minutes on the clock.

**The Chair (Mr. Garfield Dunlop):** Yes, but that clock's a bit slow. Sincerely, it is.

**Hon. Michael Gravelle:** Thank you.

**The Chair (Mr. Garfield Dunlop):** With that, ladies and gentlemen, we'll adjourn today's meeting. I want to thank the minister once again, and I want to thank the staff of the ministry for being here as well.

**Hon. Michael Gravelle:** Thank you.

**The Chair (Mr. Garfield Dunlop):** The meeting is adjourned until next Tuesday morning at 9 o'clock.

*The committee adjourned at 1756.*





## CONTENTS

Wednesday 29 September 2010

|  |       |
|--|-------|
| Ministry of Northern Development, Mines and Forestry ..... | E-215 |
| Hon. Michael Gravelle                                      |       |
| Mr. David O'Toole  |       |
| Mr. Don Ignacy   |       |

### STANDING COMMITTEE ON ESTIMATES

#### **Chair / Président**

Mr. Garfield Dunlop (Simcoe North / Simcoe-Nord PC)

#### **Vice-Chair / Vice-Président**

Mr. Robert Bailey (Sarnia–Lambton PC)

Mr. Robert Bailey (Sarnia–Lambton PC)

Mr. Gilles Bisson (Timmins–James Bay / Timmins–Baie James ND)

Mr. Jim Brownell (Stormont–Dundas–South Glengarry L)

Mr. Kim Craiton (Niagara Falls L)

Mr. Bob Delaney (Mississauga–Streetsville L)

Mr. Garfield Dunlop (Simcoe North / Simcoe-Nord PC)

Mr. Phil McNeely (Ottawa–Orléans L)

Mr. John O'Toole (Durham PC)

Mrs. Maria Van Bommel (Lambton–Kent–Middlesex L)

#### **Substitutions / Membres remplaçants**

Mrs. Donna H. Cansfield (Etobicoke Centre / Etobicoke-Centre L)

Mr. Howard Hampton (Kenora–Rainy River ND)

Mr. Randy Hillier (Lanark–Frontenac–Lennox and Addington PC)

#### **Clerk pro tem / Greffière par intérim**

Ms. Sylwia Przedziecki

#### **Staff / Personnel**

Ms. Anne Marzalik, research officer,  
Legislative Research Service



20N  
C 26  
E-77

E-13



E-13

ISSN 1181-6465

## **Legislative Assembly of Ontario**

Second Session, 39<sup>th</sup> Parliament

## **Assemblée législative de l'Ontario**

Deuxième session, 39<sup>e</sup> législature

# **Official Report of Debates (Hansard)**

**Tuesday 5 October 2010**

# **Journal des débats (Hansard)**

**Mardi 5 octobre 2010**

## **Standing Committee on Estimates**

Ministry of Northern Development,  
Mines and Forestry

## **Comité permanent des budgets des dépenses**

Ministère du Développement  
du Nord, des Mines et des Forêts

Chair: Garfield Dunlop  
Clerk: Douglas Arnott

Président : Garfield Dunlop  
Greffier: Douglas Arnott

### **Hansard on the Internet**

Hansard and other documents of the Legislative Assembly can be on your personal computer within hours after each sitting. The address is:

<http://www.ontla.on.ca/>

### **Index inquiries**

Reference to a cumulative index of previous issues may be obtained by calling the Hansard Reporting Service indexing staff at 416-325-7410 or 325-3708.

### **Le Journal des débats sur Internet**

L'adresse pour faire paraître sur votre ordinateur personnel le Journal et d'autres documents de l'Assemblée législative en quelques heures seulement après la séance est :

### **Renseignements sur l'index**

Adressez vos questions portant sur des numéros précédents du Journal des débats au personnel de l'index, qui vous fourniront des références aux pages dans l'index cumulatif, en composant le 416-325-7410 ou le 325-3708.

---

Hansard Reporting and Interpretation Services  
Room 500, West Wing, Legislative Building  
111 Wellesley Street West, Queen's Park  
Toronto ON M7A 1A2  
Telephone 416-325-7400; fax 416-325-7430  
Published by the Legislative Assembly of Ontario



Service du Journal des débats et d'interprétation  
Salle 500, aile ouest, Édifice du Parlement  
111, rue Wellesley ouest, Queen's Park  
Toronto ON M7A 1A2  
Téléphone, 416-325-7400; télécopieur, 416-325-7430  
Publié par l'Assemblée législative de l'Ontario



## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
ESTIMATESCOMITÉ PERMANENT DES  
BUDGETS DES DÉPENSES

Tuesday 5 October 2010

Mardi 5 octobre 2010

*The committee met at 0902 in room 151.*MINISTRY OF NORTHERN  
DEVELOPMENT, MINES AND FORESTRY

**The Chair (Mr. Garfield Dunlop):** Good morning, everyone. We'll call the meeting to order. We are now resuming consideration of the estimates of the Ministry of Northern Development, Mines and Forestry, vote 2201. There's a total of five hours and 19 minutes remaining. When the committee last adjourned, the official opposition had completed 10 minutes of its first round of questioning. There are 10 minutes remaining in the round. I now recognize the official opposition. Mr. Hillier, you have up to 10 minutes.

Minister, I welcome you again here this morning, and all the folks from your office at the Ministry of Northern Development and Mines.

Mr. Hillier, the floor is yours.

**Mr. Randy Hillier:** Thank you very much.

**Hon. Michael Gravelle:** Good morning.

**Mr. Randy Hillier:** Thank you, Minister. I wanted to first start off on some questions about your recent announcement on the Ring of Fire. What I understand is that the new Ring of Fire coordinator is the old ADM for minerals and mines. Is that correct?

**Hon. Michael Gravelle:** Sorry?

**Mr. Randy Hillier:** She previously was the ADM for mines and minerals?

**Hon. Michael Gravelle:** Yes, indeed.

**Mr. Randy Hillier:** In her role as ADM for mines and minerals, surely that position had significant involvement with the Ring of Fire. Is that correct?

**Hon. Michael Gravelle:** Yes, I think that's fair to say.

**Mr. Randy Hillier:** This new position for a previous employee, the ADM, really isn't a new position for this person, is it? She's doing essentially the same role as what her position was as ADM for mines and minerals.

**Hon. Michael Gravelle:** Well, there's a substantial difference. Certainly, I was very pleased that in the 2010 budget, the government announced that, indeed, the Ring of Fire was part of our Open Ontario plan and that we are viewing this as one of our priorities in terms of economic development in northern Ontario, but also that we would be appointing a permanent position as a Ring of Fire coordinator. We felt that—

**Mr. Randy Hillier:** What is the salary range for this position?

**Hon. Michael Gravelle:** I'll ask the deputy for that response.

**Mr. David O'Toole:** The high end of an ADM's salary in the public service of Ontario is about \$167,000. That's what a senior ADM makes.

**Mr. Randy Hillier:** No, but as the Ring of Fire coordinator—the same salary range?

**Mr. David O'Toole:** This is a public service appointment with the rank of ADM, assistant deputy minister, so that's the salary range for that position.

**Mr. Randy Hillier:** Okay, so—

**Hon. Michael Gravelle:** Anyway, obviously we were very pleased that, indeed, there would be a permanent position in terms of the Ring of Fire coordinator. We recognize that this is a very exciting development, obviously, in terms of future economic development opportunities for so many communities, so many First Nations and so many municipalities. But we recognize that this is a process that certainly has to be managed in a very careful and proper fashion.

There are lots of factors at play, but when we had the opportunity to seek a permanent public service position with the Ring of Fire coordinator, there was a great deal of interest in the position, and there were a number of people who applied. As it turned out, one of them was a present ADM, Dr. Kaszycki. She was successful, and I think we're very fortunate to have her in that position.

**Mr. Randy Hillier:** I guess we'll go back. In my first question, we talked about the lack of consultations on the Far North Act, the cancelled consultations. Now we see, once again, members of the First Nations in northern Ontario being very critical of lack of consultations on your part with the appointment of the coordinator for the Ring of Fire. There's been significant discussion out there. Grand Chief Stan Beardy was very clear that there was no consultation by MNDMF with NAN on the appointment of this Ring of Fire coordinator.

This coordinator is supposed to bring diverse people, groups and interests together and see through the development of the Ring of Fire, and you've started off in the same way it was left off with Bill 191: no consultations again with a significant group, the First Nations in northern Ontario. Minister, why did you not brief and include NAN in the discussions of the Ring of Fire coordinator?

**Hon. Michael Gravelle:** Well, I do think there's significant support for Dr. Kaszycki's appointment, and I can tell you that in terms of—

**Mr. Randy Hillier:** But why did you not consult? Why did you not discuss?

**Hon. Michael Gravelle:** This is a public service position. It was clearly stated at the time that it was a public service position, as the deputy pointed out, at the assistant deputy minister level. Certainly, we could not have been more conscious of the need to—and I speak as somebody who obviously wasn't involved in the hiring process at all. But clearly what was important from all of our perspectives was that we were able to choose somebody who could work very closely with the First Nations, and obviously work with the companies—

**Mr. Randy Hillier:** But you've already hampered her. You're talking about having her working very close. You've already tripped it up by not having a significant part—the First Nations—being involved and having some level of influence. That's put the new Ring of Fire coordinator in a very difficult position to begin with. Don't you agree?

0910

**Hon. Michael Gravelle:** I think the position as it will now be taken over by Dr. Kaszycki will be one where she, in many ways, is in an extremely positive position to work with all the organizations, groups, stakeholders, municipalities and First Nations as a result of her experience. Again, I can't speak to the reason why the decision was made by the hiring committee. It was clearly a complicated process but it was a process run by the public service.

In terms of the experience that Dr. Kaszycki has with First Nations, it's a very positive relationship that she has built up, and that we have built up over the years. I think we're fortunate to have somebody with her particular skill set and her relationships that she has built up with the companies that are involved in the Ring of Fire, with the First Nations, with the Métis Nation of Ontario, with municipal leaders. I do believe that with her skill set, particularly her background as well, she will be able to work in a very positive way.

**Mr. Randy Hillier:** I guess that's what comes to the crux of the question here. She has a long history of being involved with First Nations, being involved with companies, prospectors, developers and municipal governments. She has, in effect, had the responsibility, as part of her previous job, as being a coordinator, of being a person who would facilitate development of mining in northern Ontario.

We have seen that our rankings have dropped considerably as a mining jurisdiction. Where other provinces have increased their favorability as mining jurisdictions, we have gone the other way. This person had been part and parcel of the failed mining policies in northern Ontario and now she has become elevated to the same position. She has moved from one desk in MNDMF to another desk in MNDMF with the same mandate, the same responsibilities, the same stakeholders, and we're expecting a different result?

**The Chair (Mr. Garfield Dunlop):** Two minutes to wrap up here, guys.

**Hon. Michael Gravelle:** You know, we discussed this during our last session, Mr. Hillier. The fact is that—

**Mr. Randy Hillier:** But that's true; she has all the same stakeholders—

**Hon. Michael Gravelle:** Mining in Ontario, the investment climate in Ontario, is very positive. We are very excited, certainly—

**Mr. Randy Hillier:** We're down to below—

**Hon. Michael Gravelle:** You referenced a report that was brought out last fall that does not recognize the modernizing of the Mining Act, which has made a significant difference as well in terms of providing clarity to the mining sector and also building and consultation about the mining sequence in terms of providing some stability, let alone the fact that the Ring of Fire development itself wasn't part of that.

There are examples upon examples of positive mining developments in northern Ontario, in particular, but certainly in the province of Ontario, which I think belie what you're saying. The fact is that we are excited about the opportunities that are there—

**Mr. Randy Hillier:** Minister, the question is, we've got the same person doing the same job at a different desk, and you're expecting the same results.

**Hon. Michael Gravelle:** It's not the same job at all. This is a very significant position, as I think you'd recognize. This is probably one of the greatest economic development opportunities we've had in the province of Ontario for the past 100 years—

**Mr. Randy Hillier:** I'm sure it's a great opportunity, and we're going to lose it if we continue with the same actions.

**Hon. Michael Gravelle:** I think we're very fortunate to have Dr. Kaszycki. You know, I can tell you that there's a great deal of support. People like Chris Hodgson from the OMA are also working with us very closely on a number of mining development opportunities, and many others as well—

**Mr. Randy Hillier:** We'll have another 20-minute go to explore this.

**Hon. Michael Gravelle:** Yes, I'm sure we will.

**The Chair (Mr. Garfield Dunlop):** All right, that wraps that up. We'll go on to the third party for 20 minutes. Mr. Bisson?

**Mr. Gilles Bisson:** Good morning.

**Hon. Michael Gravelle:** Good morning. How are you doing?

**Mr. Gilles Bisson:** Not so bad.

**Hon. Michael Gravelle:** Good.

**Mr. Gilles Bisson:** Just to pick up on a comment that was made earlier by yourself in regards to how great things are in mining, I just can say, "Thank God for \$1,300 gold," because anybody can make money on \$1,300 gold, and certainly what you're doing is not helpful, let me say.

Let me ask you this question directly: Are you trying to force First Nations into a confrontation in northern



Ontario when it comes to the Ring of Fire? Is that the intent here?

**Hon. Michael Gravelle:** We are working very closely with First Nations. I think you are, I'm sure, well aware of the letter of intent that myself and Minister Jeffrey signed with Webequie First Nation and Marten Falls First Nation a couple of weeks ago.

**Mr. Gilles Bisson:** So you really don't have a clue about what you're doing? Minister, if I seem a little bit irritated now, this is the sense that we have in northern Ontario. There's a consensus that has been built in northern Ontario for probably the first time—you're from the north and you know this as well as I do. People want development. Both non-aboriginals and aboriginals want development of the Ring of Fire, or anywhere else in northern Ontario for that fact, but if there is to be development, it has to be done in some kind of way that protects our environment—that we don't throw the baby out with the bathwater, as they say. But the key is that everybody agrees that First Nations have to benefit.

I'm asking you the question: Considering what you've done around Bill 191, considering what you've done about appointing the czar of the Ring of Fire without any consultation with First Nations, and considering what you've done in negotiating an agreement with Webequie and Marten Falls, knowing that other First Nations are offside, are you trying to set up a confrontation around the Ring of Fire? Is that what your end policy is here?

**Hon. Michael Gravelle:** We are working closely, and certainly I am, as minister, and our ministry is in particular working very closely with all the First Nations who are directly, if not indirectly, impacted by the opportunities in the Ring of Fire development. Our priorities are very much the same priorities, which are to see that the greatest benefits come to all. This is certainly something that we are focused very strongly on. That's why we were so pleased to obviously have a Ring of Fire coordinator position provided for us in the budget and that's why we're so pleased to have who we think is a very first-class coordinator who can bring all the elements together.

I am working with the First Nations, with the Métis Nation, with the communities, with the companies to try to bring the people together. I think that is certainly the challenge and the opportunity at the same time.

My relations and our ministry's relations with First Nations related to the Ring of Fire, let alone other opportunities in the mining sector, are very positive—

**Mr. Gilles Bisson:** They're not positive, Minister. Why, then, would the chief of Nishnawbe Aski Nation come down to Queen's Park as he did two weeks ago, along with chiefs from various communities, along with Grand Chief Stan Louttit from Mushkegowuk, and why would Grand Chief Stan Beardy say in the media that your government, quite frankly, doesn't have a good relationship with them? Why do you try to say one thing when completely the opposite is true?

My point to you is—and I ask you again—are you purposely trying to create a confrontation in northern Ontario when it comes to development?

**Hon. Michael Gravelle:** We are determined to maintain and to build on the positive relationships that we—

**Mr. Gilles Bisson:** There isn't a positive relationship, Minister. They're mad at you.

**Hon. Michael Gravelle:** Listen, I can tell you that, obviously, as you would know, I know and respect Grand Chief Stan Beardy greatly. We have worked together and continue to work together on a number of positive initiatives. There's some work going on right now that I can't discuss at this point because we're not yet in a position to announce it, but it is extremely positive in terms of future development in northern Ontario.

There's no question that this is a delicate process; I won't deny that. But I can tell you that my relationship with Grand Chief Beardy, as it is with all the chiefs, is a respectful one. I recognize it's important to build on trust. I think, as you know, I was up in four First Nation communities this past March in the Ring of Fire area, and we are working on memorandums of co-operation with a number of those communities. That's the kind of work that we know needs to be done.

So it's important, from my perspective as minister, as it is for our ministry—and I'm sure I can speak on behalf of the deputy and our coordinator, Christine Kaszycki, that indeed we recognize that this is a process that needs to be managed well and managed correctly. I believe that we have a great opportunity here, and if we work together, as I know we can and we will, we can move this extraordinary project forward. That's the goal.

**Mr. Gilles Bisson:** Can I ask you the question again, Minister. Just yes or no: Are you trying to create a confrontation? Yes or no?

**Hon. Michael Gravelle:** As I said, what I can tell you is that we are determined to work in a positive fashion with our First Nations, and we are doing so. I am certainly doing so. I can speak for myself, I can speak for our ministry. We recognize that indeed this is a very, very tough—

**Mr. Gilles Bisson:** It isn't tough, Minister.

0920

**Hon. Michael Gravelle:** Tough in the sense of pulling all these elements together, with a recognition of what the priorities are.

**Mr. Gilles Bisson:** With all due respect, you've had an opportunity to give a fairly lengthy answer to a question where I asked for a yes or no.

It isn't very tough. There is a consensus out there that if we move forward with development, First Nations need to benefit.

**Hon. Michael Gravelle:** Absolutely.

**Mr. Gilles Bisson:** And when I talk to them—I don't care if it's the chambers of commerce, if it's municipalities, or I talk to the mining industry or I talk to First Nations—everybody is on the same page when it comes to that issue. They're left scratching their heads and wondering where the heck you are. We're starting to think your job is the minister of spin; it's not the Minister of Northern Development and Mines trying to create development in northern Ontario. Your job is to put a best

face on what is a pretty inept policy when it comes to dealing with First Nations.

Now, my point is—

**Hon. Michael Gravelle:** Well, I disagree.

**Mr. Gilles Bisson:** I'm going to get back to my question.

**Hon. Michael Gravelle:** Well, I do disagree.

**Mr. Gilles Bisson:** Okay, that's fine. So I'm asking you the question: Is it, yes or no, your intent as a policy of this government to create a confrontation on the Ring of Fire development? Yes or no?

**Hon. Michael Gravelle:** What I think needs to be said is that there is clear evidence from our perspective, in terms of our ministry, that we are building positive relationships with our First Nations communities and with the Métis Nation of Ontario as well, and the positive evidence is there by the number of agreements that are in place and that we're working on. We are working on, as I said, the letter of intent with Webequie and Marten Falls. We are working on a memorandum of co-operation with Eabametoong. We're working on other memorandums of co-operation, as well.

The fact is that the evidence is—actually, perhaps I shouldn't say "evidence." The point that I need to make as strongly as I possibly can is that I believe very strongly we have a very positive relationship—certainly our ministry does—with the First Nations, and while there are sometimes disagreements over the approach, the fact is that we are moving forward, and that's how I am determined to do so. This is an extraordinarily exciting opportunity. It does need to be managed in a proper fashion. We are determined to do that. That's why we have a Ring of Fire coordinator put in place, to pull those elements together, and I am very confident that indeed we will continue to move forward, as we have been.

**Mr. Gilles Bisson:** Well, listen. You talk about a great relationship. A press release put out last week by Stan Beardy, grand chief of Nishnawbe Aski Nation, in regard to the Ring of Fire coordinator, says, "The Premier of Ontario continuously talks about this so-called 'new relationship'"—I underlined the words "so-called" for a reason—"with First Nations and yet again he unilaterally makes a decision without consultation with NAN First Nations. We are disturbed that the Premier can express his willingness to create a true partnership and yet leaves us" out in the cold on a critical process.

This might be a little bit strong, but how many times are you going to slap them in the face? You know they're upset over Bill 191, you know that they're upset in regard to the appointment that you just recently made—not that it's not a good idea; having a coordinator makes some sense, and the individual might very well be the right person to have there. That's not my argument. But certainly to God we understand that if there's going to be development in the Ring of Fire, there has to be a buy-in on the part of First Nations.

What I'm really left wondering is, where the heck is the government's head at? De Beers, when they started their process of developing their mines up in Attawapis-

kat, understood this point quite well, and they said right at the beginning, in order to deal with it, "There will be no development unless the First Nation says yes"—period. Then it took eight years, or six years, whatever it was, for us to go and negotiate the IBAs that made that mine possible.

But the point is, if De Beers Canada, of all people, can understand that they couldn't move forward without the buy-in of First Nations, and more importantly, they understood that they needed to have a positive relationship with First Nations, why can't the government of Ontario do the same? Why are you slapping them every time you get a chance?

**Hon. Michael Gravelle:** Certainly, you used the De Beers Victor diamond mine as a good example, and it's a great example. There is no question—

**Mr. Gilles Bisson:** Well, then, why don't you use what has been learned out of De Beers?

**Hon. Michael Gravelle:** Let me use the example of the modernization of the Mining Act. We certainly used the model that was put in place by De Beers as the basis on which we provided for consultation all the way through the mining sequence. We have worked very, very closely with the First Nations and the Métis Nation of Ontario in terms of the modernization of the Mining Act. I'm sure you're familiar with that. We had a process by which we worked closely with the political confederacy, which included Grand Chief Beardy.

**Mr. Gilles Bisson:** Minister, we're running out of time. How much time do I have, Chair?

**The Chair (Mr. Garfield Dunlop):** Ten minutes.

**Mr. Gilles Bisson:** Oh, we have lots of time. Carry on, and I'll make my point—

**The Chair (Mr. Garfield Dunlop):** You get this afternoon, too.

**Mr. Gilles Bisson:** Yes. Carry on, Minister. Sorry, I thought we were out of time.

**Hon. Michael Gravelle:** There has been a history, certainly with our ministry, of working closely with First Nations. When we look at the example of the modernization of the Mining Act, I think it's a good example of how we were able to work closely with them.

The fact is that the Ontario public service hiring process is exactly what it is: It's the Ontario public service hiring process. The deputy can probably speak to that in a more specific way, if that's helpful to you, but the fact is that we recognize that indeed this coordinator position is one that's incredibly important in terms of working with all the partners involved in this process. The challenge clearly was to find someone who would be able to work with everyone. I believe that we have built up very good relations in a number of areas, certainly with Grand Chief Beardy and other First Nation leaders. We're going to continue to do so, and I think Dr. Kaszycki will be an excellent person to do that job.

**Mr. Gilles Bisson:** Minister, I can bring before committee all of the First Nation leaders you talk about and they'll tell you quite a different story under oath. They're not having a good time with you.



My argument is not with your ministry. You've got some really competent people who work in your ministry. My fight is not with them, because I know them to give good advice. My question becomes, why is the government not taking the advice? Why has it decided that it knows best what to do in northern Ontario when it comes to the development of the Ring of Fire? It's not listening to the very people who are going to be affected—first of all, the First Nations and northerners who live there, but just as importantly, the people who work within the ministry, who I know are certainly not giving you advice to do some of the things that you've done up to now in regard to how you have stickhandled some of these issues.

I want to be quite clear. There's nobody—I shouldn't say "nobody"—there's hardly anybody in northern Ontario who doesn't want the development of the Ring of Fire. We can all agree.

**Hon. Michael Gravelle:** I believe that's true.

**Mr. Gilles Bisson:** And as I travel and I as talk to people in various communities, as you do, from Thunder Bay to Red Lake to Timmins to Kirkland Lake, and people in the First Nations communities across the north, we're all on-side in the sense that we want this development to go forward. But we've built a consensus and we've learned from the experiences of De Beers, we've learned from the experiences of OPG, we've learned from the experience of Musselwhite and others before, who have had to go out and figure out how to develop these projects in such a way to give First Nations comfort.

I'm just, quite frankly, shocked that where we're at now is further behind than we were when this government took office when it comes to dealing with the issues of First Nations. Here's the danger, and I'm sure there are a lot of people who will bear this out in the north: What we have going on now in the Ring of Fire is that we have some really interesting activity, as far as advanced exploration. We haven't got a mine yet, but we probably will, at the end of this process, end up with some mining activity. So we know that's going to happen, but we've got a provincial government that says, "Well, what we need to do is sign a deal with Marten Falls and Webequie, and everything will be fine."

There's going to be a road, a winter road, a rail; there's going to be something that gets you to the Ring of Fire development, which means you're going to have to go through other First Nations territories. And those other First Nations are saying, "No, there's not going to be any development because we don't agree with what you did under Bill 191." So what we could end up with is First Nation fighting First Nation over the process of development on the Ring of Fire, and then—hopefully not, but it could happen—we'd end up, non-aboriginals to aboriginals, fighting over the development. I don't see who wins in that particular scenario, especially when there is a consensus at the front that we should do this right.

I just say to you again, Minister, is it the intent of this government to have this confrontation? Is that what you

want? Do you want a political fight in northern Ontario that, at the end of the day, will pit First Nation against First Nation, non-aboriginal against aboriginal? And if so, why would you want that? Why are you doing what you're doing?

**Hon. Michael Gravelle:** I'm sorry that you view it that way, in a somewhat negative way. I do know, from the time we've worked together over the years, that you also want to see that development move forward. I appreciate your question. We understand that this is a complicated process. I'm not pointing to the letter of intent signed between Marten Falls and Webequie as the end of the story; it's part of the process. We are working with all First Nations. We need to do that. I have a far more optimistic point of view than you do, obviously, about how we can achieve that. Certainly, that letter of intent was significant. There's no question we're going to keep working together. But there are many other communities that are involved—

**Mr. Gilles Bisson:** Who are off-side, at this point.

**Hon. Michael Gravelle:** —and I'm committed to continuing to work with them closely.

0930

I believe that the appointment of our Ring of Fire coordinator is going to move things forward in an extremely positive way, and I believe that we can make this process move forward.

The goals are, as we agree, to see benefits go to everyone, particularly, may I say—perhaps first and foremost the First Nations, who are most directly impacted by this. There's an opportunity for them, their community and their younger people to see opportunities. We've put measures in place—the skills training program—and now there are other measures in place to try to make sure that we are prepared for this opportunity.

I have a more optimistic point of view about the process. I'm not in any way suggesting that there aren't going to be some real challenges, but the fact is that we are committed to working with the communities, with the First Nations and with the leadership to try and pull this together

I recognize all the pieces that you've described as being actually relevant, and we're going to keep working together.

**Mr. Gilles Bisson:** Minister, just to—

**The Chair (Mr. Garfield Dunlop):** Four minutes, guys.

**Mr. Gilles Bisson:** Thank you.

Let me just finish with these comments. I look at the experience that we went through with De Beers Canada, and it wasn't just a question of Attawapiskat saying yes to the project. Every other community along that corridor had to say yes. Why? Because there needed to be a winter road. There needed to be power lines and telecommunications lines brought through the territory of various First Nations. The only reason it happened, in my view, is because De Beers made a decision at the very beginning that was essential to the development of that project, and that was that it would only happen when the First Nations

said, by majority, in a referendum in their community, "Yes, this project is going to go forward." They weren't going to do it without the consent of First Nations. That provided the backdrop necessary for De Beers then, in a very long process—and I agree with you, not an easy one—to negotiate what eventually became IBAs, and not just with Attawapiskat—IBAs being impact benefit agreements, for those who don't know. But they had to do that with Kashechewan. They had to do that with Fort Albany. They had to do that with Moose Cree.

My point is, De Beers Canada understood right at the beginning that they had to find a way to raise the comfort level of First Nations to be able to get to the table to negotiate those agreements that eventually allowed the mine to go forward.

What you've essentially created here is that we're already seeing the division within NAN territory, where some are pretty upset—and we know that there are communities that are going to be affected by whatever right-of-way passage we do for either rail or road or whatever we decide to do to service that site. So what we've done is, we're starting from a point of conflict, where at De Beers we didn't start from a point of conflict; we started from a point of, "Okay, let's acknowledge that you live here and you've got to benefit, and we're not going to go forward unless you like this." That's not what we're doing in this case.

In the case of De Beers—and it's my four minutes. You've taken most of my time in speaking, and that's what good ministers should do, and I commend you for that. You understand how this works.

The point is that you need to start from a point of comfort for everybody, and at the end of the day I fear that, because we're already starting to hear it from those people who are pretty knowledgeable about what's going on within the First Nations and within the business community, we may very well end up, as a result of all of this—and I'm hoping this isn't the case, because God, I don't want to be in that position—in a conflict between First Nations over development among themselves and a conflict with non-aboriginal communities as a result of the development being held up because other First Nations aren't comfortable in the process that you set out.

I just want to say at this committee that if that happens, it's on the feet of this government, because you have been warned I don't know how many times that there is a consensus in northern Ontario to go forward, and for whatever reason, you chose not to accept it.

**Hon. Michael Gravelle:** If I can respond to that, the fact is that we are seeing a greater and greater understanding that indeed, the example of De Beers with the Victor diamond project is one that's being used very much as a model. We're seeing example upon example of companies coming in and recognizing the need to work very closely at the very front end with the First Nations, and and putting those into play.

You know the example of the Young-Davidson mine, the Northgate Minerals project in Matachewan. It was great to be at that opening on September 10. Again, it

was an example of an impact benefit agreement being signed with Matachewan First Nation, which is allowing this project to go forward in a very co-operative fashion. I can tell you that I think it's clear to all of us that this is a model.

That's why we are pleased with the modernization of the Mining Act, because it's built in—aboriginal and treaty rights are certainly recognized in the preamble of the legislation, as you know. We built in consultation all the way along the mining sequence. There was a much greater understanding that in order for projects to move forward, there needs to be this relationship that's developed. So that's something that we are looking to help coordinate. That's where the Ring of Fire coordinator position is a vital one. Again, I think it's one that will be crucial to this project moving forward.

There are lots of pieces to this project, and we want to be able to move forward in a highly co-operative fashion. That's certainly our commitment as a ministry, and I'm looking forward to the work that's going to go into it in the next short while.

**The Chair (Mr. Garfield Dunlop):** We'll now go to the government members for the next 20 minutes. Mr. Johnson.

**Mr. Rick Johnson:** Minister, thank you for being here. You represent a great area of this province, and it's extremely important to the future of this province—the whole northern development part of it.

I grew up in Manitoba and had the chance to witness the hydro development and everything going on in Manitoba in the 1960s and 1970s. I have spent time in northern Alberta as well. I would also just say, on a family note, that my mother was born in Fort Frances. When my grandparents emigrated from Sweden, they ended up in Red Lake for a period of time. I have family in Thunder Bay, Sault Ste. Marie, North Bay—and a personal favourite spot in this province is Rossport, Ontario.

**Hon. Michael Gravelle:** It's beautiful, isn't it?

**Mr. Rick Johnson:** It's one of the most gorgeous spots.

Minister, northern Ontario is known for its resource development, especially for its mining. I know mining does occur in southern Ontario. I've been to many of those areas, as well. I think, though, for the most part, when many people in southern Ontario think of mining, they think of Sudbury or Timmins, and they may not know about some of the other mining developments that are in northern Ontario. We don't hear about those projects that often. Would you please talk about some of the newer mining developments that are occurring in the north, and if there are new developments, where are they and how many jobs are expected to be created?

**Hon. Michael Gravelle:** Thank you very much for the question. It certainly is a great opportunity to talk about a large number of positive developments that are happening in the north.

I want to thank you for your reference to Rossport. It happens to be in my riding. It's a beautiful community. I



probably shouldn't be promoting particular places, but I'll mention both the Rosspoint Inn and the Serendipity café. They're amazing places I'd recommend if anybody wants to drop by one of the most beautiful spots.

There are all kinds of examples. I was making some reference to some of them with Mr. Bisson earlier. I think we all acknowledge that so much is happening in northern Ontario that it's truly exciting.

There's the example of Marathon PGM. It's quite an exciting potential project in the Marathon area.

We have the Barrick Gold ownership of the Hemlo gold mines, which is incredible. I was able to be at the 25th anniversary of the Hemlo discovery and the production of gold from there this past June, and it was amazing. I think they had pegged it as a 15-year lifespan; it has now gone 25 years. Exploration has continued, and it employs hundreds of people from Marathon, Manitowadge and around those areas.

There is a very real excitement about Marathon PGM, with the platinum opportunity there, which is about 10 kilometres just north of Highway 17, near Marathon. Our ministry has been working closely with them. They've recently been bought out by Stillwater Mining, which is an indication that this project is moving forward. Again, one of the positive things about that is that very early on, the consultations with the First Nations in the community took place. There were mutual letters of support, and a consultation protocol with Pic River First Nation was signed in 2008. This is really exciting. The estimated capital costs are about \$400 million. Those are big dollars, and this is just one operation. It's not that far from the Hemlo site. We're looking at somewhere between 400 and 600 jobs during construction, which is pretty exciting. Then there will be about 300 permanent jobs that will be brought in place when the operation is up and running.

Certainly, that's exciting. We're at the permitting stage of that operation. I'm working with them closely.

0940

Another really good example—it's almost like I won't have enough time to tell you all the examples—is the Rubicon Minerals Corp., which is the Phoenix Gold project in Red Lake. This is at the advanced exploration stage. In January, the company signed an exploration accommodation agreement with the Lac Seul First Nation, an indication, I think, that all exploration companies and everybody who's moving forward with these projects recognizes how crucial it is to develop that relationship at the earliest possible stage with the First Nations and the Métis Nation.

The agreement with Lac Seul First Nation covers Rubicon's exploration properties within the lands considered by Lac Seul First Nation to be their traditional territory. It's my understanding that Lac Seul First Nation has agreed to support Rubicon's exploration work within that traditional territory. I think, in turn, Rubicon has agreed to respect the First Nation's concerns over land usage. They are going to be, I think, working very hard to make sure they provide business opportunities to the

band members and other benefits that should be going to the community.

They're doing the scoping study this year, that's under way; and about \$60 million in exploration. That's one of the untold stories, too. When other people suggest that the mining industry in the province is not moving forward full swing, I always point to the exploration dollars that are there. It's remarkable in terms of the fact that Ontario leads the country in terms of exploration dollars and investments.

I use the example of the Lac des Iles mine, a North American Palladium mine. It's relatively near Thunder Bay, just up the Armstrong highway, as we call it, Highway 527. This was an operation that shut down when the commodity prices went down for platinum and palladium. Even when they shut it down, they decided they were going to continue to spend their dollars on exploration. They recognized that indeed it was an opportunity. This one has recently reopened; 180 people back to work.

Again, we're pleased that there has been an agreement in place with the First Nation. That is pretty vital to this project moving forward positively. Again, considerable dollars are being spent to bring this project forward, and we're pretty excited about that.

There's example upon example, some of which will be of great interest to my colleague, Mr. Bisson, as well. Certainly, the Lake Shore Gold project, which is near Timmins, is one that we're very excited about. We're expecting there to be about \$150 million spent in 2010. Right now, at this very time, they're in the advanced exploration stage. There are, I think, 114 employees on this site at our last check. This will be rising to about 150 permanent jobs. That's a pretty—more than pretty; it's a very positive development.

Another very exciting development is Detour Gold resources. This will potentially be the largest gold mine in North America, which is pretty exciting. It's near the Cochrane area and very much at the permitting stage. I know the company; I've had an opportunity to meet with Gerald Panneton, the president of Detour Gold, who's working very hard on completing the impact benefit agreement to have it in place by the second half of this year and working very diligently on that. It's expected to be close to \$1 billion to reach the commercial production level, but there's some great excitement about the possibility of breaking ground by the end of the year. We are working closely with them. This is a project that is going to be a huge employer, we think about 430 employees at peak production. That's pretty exciting.

I mentioned earlier in my discussions with Mr. Bisson about the Northgate Minerals project, the Young-Davidson gold project in Matachewan. This is a tremendous story.

September 10—I remember the date well because it's my father's birthday—I was up in Matachewan to basically do the sod-turning for the construction of this very exciting gold mine. There are going to be 600 jobs during construction. These are big numbers in northern Ontario.

Listen, there is no question that all of us in the province, but those of us who represent northern Ontario, and certainly our ministry, recognize that this has been a very, very tough five, six, seven years in terms of northern Ontario, in the forestry and even in the mining sector. To see things turning around in the mining sector is very, very exciting, which is why I tend to disagree with my colleagues who suggest things aren't moving forward in a really positive way in terms of the investment climate.

The Young-Davidson project: It was amazing to be there. An IBA has been signed with Matachewan First Nation. It was great to be there with everyone. I even got into an excavator, and actually it was terrifying. Deputy, because I'm not that kind of a technical guy, but I managed to pull sod out of the earth. It was quite the experience.

But 275 permanent jobs once the operation is up and running, and—

*Interjection.*

**Hon. Michael Gravelle:** I'm sorry?

**The Chair (Mr. Garfield Dunlop):** You never had any Tonkas when you were younger?

*Laughter.*

**Hon. Michael Gravelle:** This is great. This is a lot of jobs, this is exciting, and it bodes well for the future.

There are many other great examples. You look at Gold Corp., which is obviously a huge operation in northern Ontario, and they are moving forward on a number of exciting projects. The Red Lake mine, which obviously they're operating, recognized an opportunity to train local First Nation residents as potential candidates for mining-related employment, and a partnership has been formed with the Red Lake Indian Friendship Centre, the Northern Chiefs tribal council and Confederation College in that regard. That's perhaps how I speak to those who suggest that we are not working in a co-operative fashion with our First Nations and with the Métis Nation of Ontario, because indeed we are. This kind of a partnership that I'm talking about now will help develop 80 new underground miners over a three-year period. That's just good news, and we're excited about those opportunities.

I'll just give you one more example, if I may. Rainy River Resources at the Rainy River gold project—again, this is a new project, and they're at the exploration stage—has signed a memorandum of understanding with the Fort Frances Chiefs Secretariat, which represents seven First Nations communities. That was done in May 2010. Certainly they are working in an extraordinarily co-operative fashion. They have hired a First Nation coordinator. They are employing an aboriginal-owned contracting firm. This is, again, an example of what I think we'll continue to use as proof that indeed there is a very great understanding, as my colleagues have pointed out, that in order for projects like this to move forward, there needs to be this respectful, co-operative and trusting relationship built up with our First Nations. I see these opportunities moving forward. There are many, many other examples of projects that are coming forward. We

are hopeful, of course, of our diamond mine having a lifespan continuing beyond what it is.

That's where the exploration becomes so crucial. I think that's why I used the example of Lac des Îles, North American Palladium, that when they were forced to shut down for a period of time, they carried on with their exploration work, with the recognition that the deposit was greater than was first seen. That's really what this is all about.

**0950**

Certainly, in northern Ontario, the mining sector is back. I look at the opportunities that are happening up in the Greenstone area, in Beardmore, Geraldton and Longlac; the work that Premier Gold is doing with the communities and the First Nations. These are more examples we're seeing.

I think what has begun to turn things around in terms of people's perceptions has been the fact that people are seeing the work on the ground and then seeing the co-operation with our college system—I'm most familiar with Confederation College in northwestern Ontario—all across the north in terms of providing those training opportunities.

These are very exciting opportunities. It's very clear to me that there is a great understanding with our companies themselves moving forward with these opportunities, that they don't just understand but appreciate and enjoy developing this relationship with the First Nations and Métis Nation of Ontario communities. They are recognizing that this is how they can move forward. These are, I think, probably the best possible examples of how that can happen. We're going to be seeing more of this.

Certainly, our ministry has an obligation to work very closely with the companies. We are very much involved, obviously, in the permitting process. The fact is that we are an economic development ministry and we want to see things moving forward. We're pretty excited about those opportunities; so some pretty good stories.

**Mr. Rick Johnson:** Thank you.

**The Chair (Mr. Garfield Dunlop):** Four minutes, guys.

**Mr. Rick Johnson:** My experience with digging was that they let me on a simulator and it didn't end well.

**Hon. Michael Gravelle:** It was actually shaking and there was some fear that I was going to topple this massive machine, but I hung on.

**Mr. Rick Johnson:** The alarms went off with me.

Minister, with all the buzz around the Ring of Fire development, everybody's wondering what the development will look like and which companies will benefit from the new-found deposit. Many people are wondering what the Ring of Fire development will mean to the communities that are close. Specifically, how do we co-ordinate all these competing interests in the north and ensure that the development, which is so important to the north and also to this province for the future, goes forward smoothly?

**Hon. Michael Gravelle:** It's certainly the right question. Obviously, our exchange today, in large measure,



has been about that. There's no question—and again, I don't think we'll have any argument about this from anyone—that the McFaulds Lake project, or the Ring of Fire project, as it is more commonly known, is one of the most promising development opportunities in northern Ontario in, we think, perhaps a century. That's why I'm so pleased that this is part of our Open Ontario plan to build a strong economy and create jobs in northern Ontario. The potential is enormous.

By any measure, the development is still very much in its early days. We are absolutely committed, as a government, to ensuring that the development occurs in a sustainable manner that certainly addresses the environmental concerns, because that's one of the issues there, but we want to make sure that social and economic development opportunities are very much realized across northern Ontario.

I do think that we've made reference in earlier discussions to how important it is to see that benefits come to the communities that are most directly impacted. That is something that we will continue to treat as a real priority.

I do see opportunities all across the north. Clearly, as this moves forward, the mining supply and services sector can be a real beneficiary. One of the most amazing parts of our economy in northern Ontario is the mining supply and services sector.

We are certainly very committed to the Ring of Fire project, and that is why we are pleased about the hiring of Dr. Christine Kaszycki, our former ADM of the mines and minerals division. It's so important to pull all the players together, so to speak, to make sure that this works. It's going to be a bit challenging but it's more than anything else a great opportunity, which is why we want to get it right.

I referenced earlier the fact that we have also made a commitment in our 2010 budget of \$45 million to a new project-based skills training program, which will certainly help aboriginal peoples and other northerners benefit from emerging opportunities like the Ring of Fire. Also, we've committed \$10 million in funding for First Nations communities that are working with the province on land use planning.

So there are a number of initiatives related to the Ring of Fire, and I can't help but be pretty excited about it, recognizing that we have to manage this right. It has to be done right.

I recall when we were going through the process of the modernization of the Mining Act, which was no easy task, in the sense of trying to bring all the interests together. To me, it was always about finding a balance. The balance was that we wanted to maintain a positive investment climate in terms of the mining sector in the province of Ontario—that was vital—while we brought the Mining Act into a reflection of our 21st-century values, while we recognized how important it was to bring consultation into the process and provide clarity to the industry. I think we've been successful. I referenced Chris Hodgson, the president of the Ontario Mining

Association, somebody who worked with us very closely in terms of that process. Whenever you're going to change anything, there's a tendency, if not to resist it, to have concerns about any changes. The Mining Act was one where we worked very hard and very closely with all our communities, our First Nations leaders, the Métis Nation and companies to try to find that balance.

I think even the Ring of Fire is ultimately—

**The Chair (Mr. Garfield Dunlop):** You're quite a bit over your time, Minister. We'll go over to the official opposition.

**Mr. Randy Hillier:** There was such in-depth information there that we were just riveted.

**Hon. Michael Gravelle:** Well, I'm glad. Thank you very much.

**Mr. Randy Hillier:** This question, Minister, will probably be more for some of your officials, as they're experts in the legislation. On lands that were patented other than specifically for mining purposes, is a mining tax applicable if they're also subject to municipal taxation?

**Hon. Michael Gravelle:** I'm not sure of the answer to that. Deputy, have you got it?

**Mr. David O'Toole:** I don't know the answer to that question, but we'll endeavour to get it very quickly.

**Mr. Randy Hillier:** Regarding the earlier questions from last week, will we have the responses today?

**Hon. Michael Gravelle:** Yes. If you want, I can read them to you.

**Mr. Randy Hillier:** No, I would much rather just have them—

**Hon. Michael Gravelle:** I would love to read them. We worked very hard to get these for you.

**Mr. Randy Hillier:** So you'll find out about that question: Are properties that were not patented specifically for mining and that are now subject to municipal tax also subject to a mining tax—or acreage tax; whichever tax you want.

**Mr. David O'Toole:** So, are they being taxed under both regimes?

**Mr. Randy Hillier:** Yes.

**Hon. Michael Gravelle:** We'll absolutely get that for you.

**Mr. Randy Hillier:** Minister, have there been any applications made for exemption from the mining tax under section 189 of the revised Mining Act, and if so, how many?

**Hon. Michael Gravelle:** I say yes. I think I want some help on this, too. Deputy?

**Mr. David O'Toole:** We'll endeavour to find that.

**Mr. Randy Hillier:** Okay.

**Hon. Michael Gravelle:** I probably shouldn't have said yes so quickly because I don't actually know. We'll find out for you.

**Mr. Randy Hillier:** In your time as minister, and maybe in the time that your officials have been at the MNDMF, have you or your ministry offered compensation or offered to repay any mining taxes that were levied without statutory authority, falsely? That's mining taxes

that were levied without legitimacy. Have you offered to repay any of those? Have you offered to repay or pay compensation?

**Hon. Michael Gravelle:** We'll find that out, as well. We'll do our best to find out.

1000

**Mr. David O'Toole:** If I could repeat that, Mr. Hillier: Has the government or the ministry or the minister offered to repay mining taxes that were levied without authority?

**Mr. Randy Hillier:** Yeah. Mining taxes or compensation.

**Mr. David O'Toole:** Okay. If we can't get these before the conclusion of this morning's activities, we'll have them for the first of the afternoon.

**Mr. Randy Hillier:** Thank you.

Are you, Minister, or your ministry, aware of any properties that you are levying a mining tax on improperly or without legitimate authority?

**Hon. Michael Gravelle:** Again, I'm not aware, but we'll try and get an answer to that question as well.

**Mr. Randy Hillier:** How about this one: In your tenure—or maybe I'll go back to 2004, if you don't have the answer for this—how many properties have reverted or been returned to the crown for failure to pay mining taxes?

**Hon. Michael Gravelle:** Again, I can't give you that answer. It's a fair question, Mr. Hillier, and we'll try and get you the answer. I don't have that information with me.

**Mr. Randy Hillier:** There are a lot of questions without many answers right at the moment.

**Hon. Michael Gravelle:** Well, they're technical, they're detailed, and I'm not sure you'd expect the minister, or even our ministry, to have those things at our fingertips, but we'll certainly do our best to get them for you.

**Mr. Randy Hillier:** Okay. I wonder if it would be appropriate—these are some significant and important questions that I would like to have answered—if I asked for an adjournment or a recess on this committee—

**Hon. Michael Gravelle:** I think, to be fair, Mr. Hillier, we're not going to be able to get the answers by 10:15.

**Mr. Randy Hillier:** No, but this afternoon possibly, and then I'll have time to refer to the responses from last week.

**Hon. Michael Gravelle:** Do you want to move on? We should use our time, it seems to me.

**The Chair (Mr. Garfield Dunlop):** I'd prefer to use the time, because we need to—

**Mr. Randy Hillier:** Okay. Is there any mechanism that we can use to change the speaking order until I get some more of those responses?

**The Chair (Mr. Garfield Dunlop):** I don't have a problem with that. You've got 14 minutes remaining. Is there any problem for the other members of the committee with adding this time later on?

**Hon. Michael Gravelle:** I could offer to respond to Mr. Hillier's questions in the time period left for Mr. Hillier.

**Mr. Randy Hillier:** No, no. You don't have the answers. I've asked for the answers.

**Hon. Michael Gravelle:** No, but I meant answer the questions you had last week.

**The Chair (Mr. Garfield Dunlop):** What Mr. Hillier is asking for is, can he use the rest of his time at a later time? Have we got the support of the committee to do that? I do want the committee to agree with this.

**Mr. Rick Johnson:** The minister said he can answer the questions that Mr. Hillier had from last week. He can do that now.

**Mr. Randy Hillier:** Those were technical questions as well. I'd like to read them. He has them written down, and I would like to read those.

**Hon. Michael Gravelle:** You asked me questions last week.

**Mr. Randy Hillier:** Yeah.

**Hon. Michael Gravelle:** You don't want to hear the responses to them?

**Mr. Randy Hillier:** I'd prefer to read them.

**Mr. Gilles Bisson:** Not on his 14 minutes.

**Mr. Randy Hillier:** Yeah. I don't mind listening to them on your 14 minutes. Can I ask that motion?

**The Chair (Mr. Garfield Dunlop):** Mr. Hillier has asked for support for that. Do you agree to that or not?

**Mr. Gilles Bisson:** Agreed.

*Interjection.*

**Mr. Gilles Bisson:** It's quite easy—

**The Chair (Mr. Garfield Dunlop):** Well, we don't have agreement, Mr.—

**Mr. Gilles Bisson:** No, no. It's quite easy. Just move the rotation. He'll be back in and he'll get a chance to get his 14 minutes that way.

**The Chair (Mr. Garfield Dunlop):** I'm asking the—

**Mr. Randy Hillier:** Move the rotation to Mr. Bisson.

**Mr. Gilles Bisson:** Yeah, and just stack his time up.

**Hon. Michael Gravelle:** If there are no other questions—

*Interjection.*

**The Chair (Mr. Garfield Dunlop):** Pardon me?

**Mr. Bob Delaney:** Chair, the procedures are very clearly set out in the standing orders. Mr. Hillier was going to have another rotation later on in this round. I'm sure he can go on to some other matter that he'd like to ask. He's free to table his questions to the minister and, during his next rotation, is free to discuss them with the minister.

**The Chair (Mr. Garfield Dunlop):** They are in 20-minute rotations. I agree with Mr. Delaney. If I don't have permission from the committee to stack the time, I'd prefer Mr. Hiller go on to another topic or just give up the remaining time he has right now.

**Mr. Gilles Bisson:** Well, first of all, for members of the government, estimates is an opposition forum. It's not one for the government. It's an opportunity for opposition to hold accountable the minister and his or her ministry



on various issues, number one. So the onus normally goes to the opposition. That's why we have to have the Chair as an opposition member on a committee such as this. It's considered an oversight committee.

Number two, it's not like we don't do this on a regular basis. For those people who've sat on estimates, it is not uncommon for a member to ask and say, "Listen, I need time to read what the minister has provided me. Can you move the rotation and stack my time till later?" At the end of the day, it doesn't lengthen the estimate. It allows him to do his job as an opposition member. Normally, that's granted by the committee and by the government side.

I would be more than prepared to move that we just move the rotation and stack Mr. Hillier's 14 minutes on his next rotation.

**The Chair (Mr. Garfield Dunlop):** You have no other topics—

**Mr. Gilles Bisson:** I just moved a motion.

**Mr. Randy Hillier:** Mr. Bisson has just moved a motion to do that.

**Mr. Gilles Bisson:** Let me try it again. I just moved a motion that—it's not going to lengthen the time that the committee sits here in any way, shape or form. I'm moving a motion that allows the rotation to move to us and, when it gets back to Mr. Hillier, adds the 14 minutes to his 20.

**The Chair (Mr. Garfield Dunlop):** Okay. I thought that's what I said—

**Mr. Gilles Bisson:** I'm trying again, because I think members of the government might have been inclined, in haste, to—

*Interjections.*

**The Chair (Mr. Garfield Dunlop):** Mr. Bisson has a motion on the floor. Do we have agreement on that?

*Interjection.*

**Mr. Gilles Bisson:** Don't stir the hornets' nest.

**Mr. Bob Delaney:** Chair, would the clerk kindly read the applicable portions of the standing orders that apply to these committee hearings?

**Mr. Gilles Bisson:** If you took out the standing orders, Mr. Delaney, and read them, you'd understand what it means. I'm perfectly within my right to move the motion.

**The Chair (Mr. Garfield Dunlop):** The clock is running while we're doing this, by the way.

**Mr. Gilles Bisson:** There's a motion on the floor.

**Mr. Randy Hillier:** I'd like to read the responses from the minister that I asked for last week, okay? I've given him another number of technical questions that he hasn't been able to respond to. I'd like to be informed of the responses before I continue. That may not be important to some people. It is important to me that I'm knowledgeable and informed of the responses.

**Mr. Bob Delaney:** I think the first thing that the member may wish to do is leave the personal invective out of it and consider that we are discussing a motion.

**Mr. Gilles Bisson:** There's a motion.

**Hon. Michael Gravelle:** Mr. Chair, can I say something? I know it's not unusual in estimates to have ques-

tions asked by a member of the opposition that we need to find some time to respond to. In almost all cases—and I know Mr. Bisson is very experienced in this—there's an agreement that we'll get the answer as soon as possible and you carry on with your period of time when you have other questions you may want to ask. That's why this seems a bit unusual to me. I'm not in any way going to suggest how we should handle this other than to say that that seems to me to have been the pattern. We'll get the answers for Mr. Hillier. We know they're important to him. But for him to suggest that would stop him from asking any other questions—it seems a little bit strange to me, Randy.

**Mr. Randy Hillier:** If I'd had those responses that I'd asked for last week—if I'd had those earlier today, then I would have been able to develop from that.

**The Chair (Mr. Garfield Dunlop):** I will allow you to stack the time, because I want to get this thing going.

**Hon. Michael Gravelle:** We've used some time up, have we not, Mr. Chair?

**The Chair (Mr. Garfield Dunlop):** We'll move that.

**Mr. Randy Hillier:** Thank you.

**The Chair (Mr. Garfield Dunlop):** We'll now go to Mr. Bisson. You have 20 minutes.

**Mr. Gilles Bisson:** Thank you very much, Mr. Speaker. That's the easy way to deal with it.

On the Ring of Fire but on the other side now, in regard to the actual development—I'll just let you finish conferring with your deputy.

*Interjection.*

**Mr. Gilles Bisson:** No, no, please. I don't want to hold you up. Was there something?

**Mr. David O'Toole:** He was just asking for clarification.

**Mr. Gilles Bisson:** Oh, okay. I just didn't want to get in the way of whatever it is that you were trying to do.

Just in regard to the Ring of Fire itself, what kind of assurances do you have from the mining sector, those companies that are involved in the Ring of Fire, that the processing of metals is going to be done on-site or at least in Ontario? Has there been any discussion about that, and what agreement or what understandings do you have?

**Hon. Michael Gravelle:** Certainly, we believe very strongly that it's very important. One of the reasons why we have taken on—the Ring of Fire is a very strong commitment by the government. It's part of our Open Ontario plan. We want to see the greatest possible value-added opportunities, and that certainly includes processing within the province of Ontario. We certainly indicated that to the companies that we're dealing with, very strongly, that we'd like to see that happen.

We know that at least one of the companies that would be interested is looking at, I think, a variety of sites in terms of communities in northern Ontario for the processing. Obviously, no determination has been made.

As you know, we're still at a relatively early stage in terms of the entire project. But there is, I think, an

understanding that indeed this is certainly a priority of our government.

As I said, I'm not sure how public this is—but here I am talking about it, so I don't mind doing that—but it's my understanding there is some work being done, looking at the feasibility of a number of locations in northern Ontario for processing. It's important.

1010

**Mr. Gilles Bisson:** If I'm a little skeptical, as is, I think, most of northern Ontario—your record on this has not exactly been exemplary. We know that the only copper refinery smelter—Falconbridge, or Xstrata now—was allowed to be closed in Timmins, which was value added to ores that are mined in Ontario.

There's a very strong belief—and I think that was confirmed at the chamber of commerce annual meeting this Wednesday night when one of the heads of Noront was there speaking—that in fact there isn't going to be any processing of anything of significance in Ontario as a result of what their mining activities will be.

I'm asking you the question: What agreements have you signed with the First Nations, or what cabinet decree have you issued that would ensure that there is a value-added process put to the mining that's going to happen in the Ring of Fire?

**Hon. Michael Gravelle:** We are determined to see the greatest value-added opportunity for this project, this—

**Mr. Gilles Bisson:** Well, “determined” doesn't mean anything. My question—

**Hon. Michael Gravelle:** We working, as I said—

**Mr. Gilles Bisson:** You want to have a great relationship with First Nations, a new relationship, and they don't see it as that and that's not what's happening. So I'm asking, what concrete steps have you taken? Do you have an order of cabinet? Is there an order in council of some type that is being worked on or is going to be issued that ensures there's going to be some value added to the mining activities that are going on in the Ring of Fire? Do you have some agreements that you're working on or have signed with the mining companies in question?

**Hon. Michael Gravelle:** We have had—our ministry has had and certainly I have as well—a number of discussions with the companies, and obviously with the First Nations, regarding a number of elements. Again, this is early, but we are certainly making it clear that we want to see—the way I phrase it is quite deliberate—the greatest value-added benefit to the communities, and that certainly includes processing.

The Premier was in Thunder Bay last week announcing the Ring of Fire coordinator—

**Mr. Gilles Bisson:** That went over really well.

**Hon. Michael Gravelle:** —and he made the same reference to the fact that our vision for this is to see a processing facility here in the province. We think this is obviously important, but we're at a stage where there's a lot of work to be done. That's why we wanted to have the Ring of Fire coordinator put in place. I'm certainly very pleased—

**Mr. Gilles Bisson:** I'm listening to your answer very intently, and I'm not hearing any way that you have an agreement that's negotiated or one that's being negotiated with the private sector and/or there's some cabinet decree coming down, so I ask you again: Is there something concrete as far as an agreement and/or order in council or law that this government is contemplating enacting in order to ensure that there will be processing of ore in Ontario as a result of the mining activities in the Ring of Fire? Yes or no?

**Hon. Michael Gravelle:** Again, as you know—I mean, there are decisions to be made about the entire project in terms of the feasibility of the project, decisions to be made relating to the transportation infrastructure, work that needs to be done with the First Nations, let alone—

**Mr. Gilles Bisson:** Well, transportation. We know they're going to have to build a road, and you can't—

**Hon. Michael Gravelle:** We also know—

**Mr. Gilles Bisson:** God almighty, you haven't figured out how to outsource that one yet. Let's not put smoke.

There is going to be ore extracted from the ground in the Ring of Fire, and the question is, what happens to that ore? Is there going to be value added in the province of Ontario, and if so, have you signed an agreement or are you contemplating signing agreements or having some sort of government edict in order to make sure that happens?

**Hon. Michael Gravelle:** We're committed to seeing that happen, and—

**Mr. Gilles Bisson:** Committed, all right, so we're partly there. Is there a legislative approach that you're taking? Is there an order in council? Are there agreements with the private sector? Which of the three?

**Hon. Michael Gravelle:** There is much work to be done. That's why we are keen to continue to move forward in a positive way. That's why we've hired a Ring of Fire coordinator, in fact, why the province, in the budgetary process, announced there would be a permanent Ring of Fire coordinator. There are many elements to this. We've talked about doing this, managing this right. This is an important part of that process. We are committed to seeing a processing facility, and there is still much work to be done in that regard.

**Mr. Gilles Bisson:** Minister, dem's are a lot of words, as they say back home—dem's are a lot of words, but they don't add up to any kind of assuredness that there are going to be value-added jobs as a result of the processing of minerals that are extracted from the Ring of Fire.

So I'm going to ask you again: Is there an order in council, is there a government law or is there a private sector agreement to deal with the issue of making sure that we add value to those minerals that are extracted from the Ring of Fire?

**Hon. Michael Gravelle:** We are committed to doing a lot of work to make sure that happens. That's something that—there's certainly more work to be done.

**Mr. Gilles Bisson:** Do you contemplate—



**Hon. Michael Gravelle:** I'm not in a position to tell you that we've got that locked in place, because there are many elements to this. But, look, we know how important this is. You certainly feel strongly about it, and we agree. That's why we want to put things in place—

**Mr. Gilles Bisson:** Well, not just myself; every business person in northern Ontario realizes how important this is. You just had to be at the chamber of commerce meeting.

But my point is—let me try it the other way. Is it the intent of this government to pass an order in council, pass a law, development a government policy or negotiate agreements with the private sector to ensure that there is value added to the ores that are extracted from the Ring of Fire?

**Hon. Michael Gravelle:** Listen, I'm not in a position to speak in those terms at this time, other than to say that this is something that we consider one of the real priorities as well—to have the greatest value-added benefit to the Ring of Fire project.

**Mr. Gilles Bisson:** Are you prepared to suggest to the private sector that you will have an order in council, that you will have some sort of private sector agreement? Are you willing to whisper in their ear? Are you willing to do anything in order to make sure there is a signal clearly sent out that the development of the Ring of Fire is also about making sure that we have value-added jobs out of the minerals?

**Mr. Bob Delaney:** Chair, on a point of order: The member for Timmins-James Bay, as much as I respect the passion that he brings to this, is asking the minister to speculate on legislation that hasn't been tabled here, which is, in fact, outside the scope of the estimates committee.

**Mr. Gilles Bisson:** No, it's not, if you've read your standing orders.

Now back to my question. Are you prepared—

**The Chair (Mr. Garfield Dunlop):** I want you to clean this up in two minutes, then you'll still have 10 minutes this afternoon, okay?

**Mr. Gilles Bisson:** I use my 10 minutes in whatever way I want, Chair, with all due respect.

What I'm asking, and I'm about to conclude, is—we're trying to ascertain, and I'll get to the reason why in a second, if the government intends, in any way, shape or form, to use its power either legislatively or by way of negotiations with the private sector, to ensure that there are value-added jobs on the ore that comes out of the Ring of Fire.

So far, all I've heard, quite frankly, Minister, is that it's your intent. Well, you know, I hope I have a nice Christmas and I hope Santa Claus comes, but I don't think Santa Claus is going to come to my house this year, right? It's just a lot of words.

And the reason I raise this is the following. We had at the chamber of commerce in the city of Timmins, on Wednesday night of last week, a full house. People were there from the business community, not only from Timmins but from all around—from Hearst and various

communities—because they're looking at the Ring of Fire like everybody else. It's a great opportunity. I agree with everything you've said up until now when it comes to the opportunity that it presents.

They were there to listen to one of the principals at Noront talk about what this project would be. His answer was, "This will be a Fort McMurray." It's going to be a fly-in camp to which there is going to be people coming in from all over Canada to work on this project, and not a heck of a lot of it is going to be value added; that's pretty well what he left people with the impression of.

So it leads me to this question, because we've certainly gone through the fight in the city of Timmins and the surrounding area when it came to Xstrata and the refinery and smelter. You know; you were part of those discussions. What I'm speaking to is a concern within the private sector—those small businesses and those medium-sized businesses in the north that are trying to figure out what they do in order to benefit from contracts that may come out of the Ring of Fire, as well as First Nations and workers who are in northern Ontario looking for work.

I've got to say, people at the end of the chamber of commerce dinner last Wednesday were certainly glad that the principal from Noront was there to make the presentation he did, and I think a lot of people appreciated the information that was put forward. But people weren't left with a warm, fuzzy feeling. We didn't get a sense that, in fact, there are going to be value-added jobs. What they talked about doing is building a mine in regards to copper-zinc, at least at this point, in their case. It's an interesting process. Doing their milling underground is what they're looking at doing, which is the first time I've seen that. I've been in the mining business for years. It's certainly an intriguing process. But at the end of the day, all we're going to have is copper-zinc and it's going to be shipped somewhere outside of Ontario.

So I ask you again. These are natural resources, and before I ask you, I just want to make the point that these are the natural resources of Ontario. It seems to most citizens—First Nations or non-First Nations—that if there's going to be extraction of those natural resources from the ground of Ontario, Ontario should benefit. That means the citizens, that means the small businesses, that means the First Nations, and that means, yes, you, the minister, and the government of Ontario.

We look at what's going on in places like Newfoundland when it comes to offshore oil, where the Premier there has decided to make sure that he gets benefits for his province. We look at Newfoundland in regard to what happened with the mine in Labrador, where he said there will be no mining unless there's processing, refining and smelting that happens in that province.

Why I'm asking you the question is because there is, on the part of First Nations, on the part of small businesses across the north and certainly the workers who are eyeing possibly getting a job in the Ring of Fire—that basically this is going to be a mining operation. It's really not a big smelting or processing operation, it's a mining

operation, and I'm asking you the question again: Is the government contemplating having some sort of a law, some sort of a government policy or some sort of an agreement with the private sector that we're not just going to mine the mineral out of the ground and ship it to China, but we're going to actually add value to it before we let it leave our province?

**Hon. Michael Gravelle:** Well—

**The Chair (Mr. Garfield Dunlop):** And with that, you'll have to answer that this afternoon.

**Hon. Michael Gravelle:** Okay.

**The Chair (Mr. Garfield Dunlop):** We're already past our time to adjourn.

**Hon. Michael Gravelle:** Are we? Okay, thanks.

**The Chair (Mr. Garfield Dunlop):** So we'll recess until 3:45 or after routine proceedings. Thanks very much, committee.

*The committee recessed from 1019 to 1603.*

**The Chair (Mr. Garfield Dunlop):** We'll call the meeting back to order. Thank you very much, everyone, for being here after the slight delay. We had a large number of ministerial statements today.

We are dealing with vote 2201. I wanted to point out that I probably made an error when Mr. Bisson made a motion. We are dealing with vote 2201, so we can't have any motions during that period, but we can have agreements, of course. I have a couple of agreements to ask you about.

One point I want to put on the record is that when the minister can possibly answer a question like he does on a regular basis, that's fine, and we get the answers right on time. Quite often, like today, we've got a number of answers from last week as well. But there are times when the minister can't respond immediately. Historically, with the previous Chairman, we've asked for 30 days as a reasonable amount of time. So, for some of those longer-type questions or more complex ones, you'd have around 30 days to respond.

I'd also ask the committee—we have a young man from the PC caucus here today who's filming some of this. I need agreement from the committee to allow him to be in the room to film part of the estimates committee. Is there anybody—

**Mr. Gilles Bisson:** Sorry, I wasn't listening.

**The Chair (Mr. Garfield Dunlop):** This gentleman is from the PC caucus and he's filming this for—

**Mr. Gilles Bisson:** Oh, I'm fine.

**The Chair (Mr. Garfield Dunlop):** Okay. Any problem—

**Mr. Gilles Bisson:** As long as they give me some good billing. That's all I care about..

**Mr. Bob Delaney:** Do we get credits?

**The Chair (Mr. Garfield Dunlop):** I don't know. I don't think so.

**Mr. Kim Craitor:** Do we get paid?

*Interjections.*

**The Chair (Mr. Garfield Dunlop):** Okay, I take it that there's no disagreement.

With that, we will now move to the third party, which has seven minutes and 40 seconds left in its rotation.

**Mr. Gilles Bisson:** I still have time left? I was expecting I was done. Boy, you're putting me on the spot, Chair.

Let's go back to where we ended earlier this morning and ask you the question. I was trying to get a sense from you, Minister, in regard to the Ring of Fire and the development that will come out of that particular operation.

I was at the chamber of commerce meetings last Wednesday in the city of Timmins, where people from across northeastern Ontario attended in pretty large numbers, actually. The McIntyre ballroom was full, which is always a good thing when it comes to events.

What was interesting was that you had contractors and various small business people from not only within the city of Timmins but from areas outside the city of Timmins, from Hearst, Kirkland Lake and different places. They were interested to hear what was being put forward by Noront in regard to the possibilities that their businesses would get as a result of possible developments in the Ring of Fire.

What became somewhat clear was that there was an expectation, I think, on the part of a lot of people in the north that the development in the Ring of Fire would include value-added jobs. Specifically, what we're talking about is milling, going beyond crushing and concentrate and being able to mill some of the materials in northern Ontario—specifically, what value-added opportunities would come from that project.

What was said by the company representative at the time was that essentially this was a fly-in camp. This was going to be another Fort McMurray, where people from across Canada would fly into the Ring of Fire, would work for two or three weeks and go home for a week or whatever the rotation is. Essentially, what you had was a fly-in-type camp similar to what you have up in Fort McMurray.

To a lot of people in northern Ontario—not that they're opposed to the Ring of Fire, but that's not the best way to see economic activity come out of that project when it comes to workers across northern Ontario, in your riding and mine and others, and also specifically to businesses.

It was fairly clear from the presentation that was made that what essentially we had going on there was the possible development of a copper-zinc operation on the part of this particular company that would, at most, process the minerals into concentrate, and the concentrate would be shipped out to be processed somewhere else.

As you know, we've gone through this fight in the city of Timmins. We've seen our smelter and refinery shut down in the city of Timmins. For those people who don't understand what that means, once you mine ore out of the ground, you crush it. When it's crushed, you run it through a concentrator in order to turn it into concentrate. Then the question becomes how you process it from there. What Timmins was doing in their refinery and smelter was smelting the material in the smelter, then



refining it, so that they were adding value to the ore that was being taken out of the ground.

**1610**

That particular facility has been shut down, and that's now going into Quebec, and I would argue—probably within five years—it's probably going to China. I think Quebec will find itself much in the same position that we did. We're going to be fighting after that about where the ore is going to go, and it will probably end up in China, where most of the demand is, which is a whole other debate.

People have clued in, as a result of the closure of Xstrata's refinery/smelter, to, what do we do as a province to ensure that, whatever values come out of the ore that's in the ground in the Ring of Fire, we in Ontario get a net benefit from it so that we add value to it? There is a sense, not just because of what Noront said but because of the experience that we went through with Xstrata and the fight that we had last year over that issue, that there is a very strong possibility—probably 99% sure—that what we're going to see at most is concentrate, and from there that'll be shipped out to wherever for processing.

My questions to you were pretty simple. I'm just going to repeat them again and ask you if you can give me a yes or a no. Is the provincial government of Ontario intending on, by way of an agreement with the private sector, by way of a law or by way of an order from cabinet, insisting that it's not just a mining operation but that actually we're going to be looking at adding value to those minerals that they're taking out of the ground so that we can do the value-added operations here in the province of Ontario?

**Hon. Michael Gravelle:** I appreciate the question, and I'm glad to have an opportunity to respond to it again.

Certainly, we've been very, very clear about the fact that, obviously, this is a hugely exciting development. We all know that. It's very important, from our perspective, and I've not only been clear about this; the Premier has also been clear about this. Indeed, we are committed to seeing that the greatest value-added benefit comes from this project, which obviously includes a processing facility somewhere in the north as well.

The question really ultimately is, by what measure do we make sure that happens? I think, essentially, that's where you're going. We are certainly, as I say, committed to seeing that that happens. It's a priority for us.

You used the term "by agreement with the companies." It was one where I thought that's certainly more the basis on which we'd like to move forward." As always, when one is working on a major project such as this where the private sector plays such a very significant role, you want to be able to have a relationship that will be one that works.

There are certainly good reasons why processing will obviously be of huge benefit to everyone in not just the north but in the province itself. The Premier has been clear about it. He spoke about it last week, in fact, when he was in Thunder Bay announcing the Ring of Fire co-

ordinator, how that was his vision for the Ring of Fire development, and certainly that's the priority for our ministry as well.

I am reluctant to start talking about forcing measures in place when I believe we will hopefully not need to do that. I understand where your skepticism—or concerns, at least—would come from. We are committed to making this happen and making it happen in the most fully value-added way. We are working very much in that direction. This is something that we are very committed to.

**Mr. Gilles Bisson:** But, Minister, my skepticism is this: We're at the beginning of this process, and if we don't say to the mining industry what it is that we expect from them when it comes to value-added, it's not going to be factored into the cost. The reluctance of the government to do so, I think, is to the detriment of all of us in northern Ontario.

We know there are examples such as Danny Williams in Newfoundland, who said, "You ain't developing a mine in my province unless I get the value-added jobs, period." The mining company went back and said, "Let's factor that into our costs, and we either have a mine or we don't." They concluded that, in fact, they had a mine when they costed it in, and as a result, the value-added jobs are being done in Newfoundland.

What I'm saying is that in Ontario, if we don't take the position that we want value-added jobs coming out of these mining operations that are going to be taking place in the Ring of Fire probably five or 10 years from now, at best what we'll end up being is a mining operation; we will not be a smelting, refining or value-added operation.

**Hon. Michael Gravelle:** Can I answer this?

**The Chair (Mr. Garfield Dunlop):** Go ahead. That concludes your time.

**Hon. Michael Gravelle:** As I think you know, companies are actually looking at specific sites. They are factoring in these calculations. In fact, they're looking at, I believe—I'm not sure of the number of locations—a number of northern communities as possible sites for that kind of processing facility. That is being done. That message has been sent. It's important for us to work with them. I can assure you that that is something that we have made clear is important to the government of Ontario, and they indeed are doing those feasibility studies in a number of communities in the north.

The message is getting across strongly. I think what you're suggesting is that it needs to be getting across more strongly and maybe more firmly. If that point comes, then that point comes, but the truth is that I believe we can make this happen on the basis of saying that this is something that we clearly see as part of our vision and part of this project moving forward. I think that message has been sent in a rather clear way. As I say, the companies are looking at facilities and looking at communities for that purpose precisely that you're talking about.

Before I start talking about taking the kinds of actions that you're talking about, we want to have an agreement; we want to make it happen. It's going to happen.

**Mr. Gilles Bisson:** It's not going to happen, Minister. It won't happen unless you make it happen.

**The Chair (Mr. Garfield Dunlop):** Okay. Let's go to the government members.

**Mr. Gilles Bisson:** Thank you, Chair. That was very helpful.

**The Chair (Mr. Garfield Dunlop):** Mr. Brownell?

**Mr. Jim Brownell:** Good afternoon, Minister. It's great to see you here. This is my first opportunity to ask a question and I'm glad to do so.

As I reflect on my own riding of Stormont-Dundas-South Glengarry—and this relates to the forestry sector—as you know, in 2006 we lost perhaps the last of the icons in Cornwall with the closure of the Domtar fine paper mill. Certainly, that was a hit to the forestry sector. In my community, as all across the province, we're working very hard. We worked very hard then as a government to give some supports to the community. In 2007, we brought in the eastern Ontario development fund to assist. Really, Cornwall has never looked back from there. We can see, right throughout the city, all kinds of opportunities. Just today, I received a message that the city has sold 141 acres of property to a business that's going to come in, creating 700-plus jobs. Those are the kinds of things that communities like.

In the north, when we talk about the forestry sector—I heard it from the opposition—there have been hits; I've read it in the paper; pressures on the forestry sector with the economic downturn and certainly with the housing-related need for wood and wood product.

I'm wondering, with all that in mind and the hits that have happened in the forestry sector, if you could let us know what the government and your ministry are doing to alleviate the strain on the forestry sector with, perhaps, some programs. I have no idea what—I'm in eastern Ontario. When I was a teacher, I taught a lot about forestry in grade 5 social studies, and in grades 7 and 8 about the geography of the north. I'd just like you to give a snapshot and a bird's-eye view of what's going on with regard to the forestry sector and the supports. How are we, as a government, assisting in helping out and encouraging opportunity with forestry-based industry and business?

**Hon. Michael Gravelle:** I very much appreciate that question. Certainly, it's great to have an opportunity to talk about some of the incentive programs that we've put in place. Also, I hope that at some point I get a chance to talk about the Northern Ontario Heritage Fund Corp., which has been of extraordinary benefit to so many communities across northern Ontario. I don't think there's one community in northern Ontario that has not benefited from that remarkable fund.

Certainly, there's no question that the challenge that we face in northern Ontario related to the forestry sector is one that we really started having in about 2003. When we talk about the recession, and the global recession in particular, hitting in about 2008, those of us who live in northern Ontario—I think my colleague here beside me will support this—will recognize that we started seeing

some real challenges to the forestry sector in a very dramatic way at the start of 2003 and 2004. The minister at the time was David Ramsay, and he set up a system; he wanted to take a look and see what could be done to respond to some of those challenges. One of those was a committee he set up with people from the north, the banking industry and others. He set up a process where recommendations were made to him. This was about 2005 when that happened.

**1620**

As a result of that, a number of incentive programs were put in place, the first one being a loan guarantee program. That was followed by the forest sector prosperity fund. In each of those cases, there were a number of companies and industries that were able to access that and be able to be very helped out by that as well, although there were many challenges in terms of some of the companies being able to access the capital to be able to use that as well as they could.

Certainly one of the programs that came about that was probably the most useful was a recommendation that came forward and has been extraordinarily well received: the decision to upload the cost for road maintenance in terms of the forestry access roads and the resource-based roads that the companies are using. This is something that actually a previous government had downloaded to the forestry sector. Indeed, the costs are substantial. We were able to put in place a fund for about \$75 million a year. We were able to provide that back to the companies to upload those costs of the forestry access roads. That's a program that has probably been one of the most welcomed by the forestry sector because they get to do their work and they actually get to see the funds coming to them for doing the work that they're able to do. So that has been huge.

Ultimately, when you put together all the programs that were put in place, it was really up to almost \$1 billion that was available to the forestry sector. Some of them were more effective than others, and there's no question that it was difficult for some of the companies to access some of the funds. It did require them to meet some conditions as well that became more difficult, particularly when we got to the stage in 2008 when the global recession hit.

There's no question that access to capital did dry up and became a real challenge. What we saw ultimately was, where once we were harvesting 20-plus-million cubic metres of wood a year, we were down to virtually half of that. It became clear to our government and the ministries involved that we needed to take some action to be able to revitalize the sector.

We were looking at the opportunities related to the bio-economy in the 2008 budget. We set up the Centre for Research and Innovation in the Bioeconomy—\$25-million support for that, which has been something that's again helping us with the transformation of the industry.

But what became really clear to us was that we needed to look at just what was the best way to make sure that Ontario's wood was really being put to work. It was clear



that the forest tenure and pricing system in the province of Ontario needed to have a serious re-evaluation. A year or so ago, we brought the option forward of really doing a modernization of that system, recognizing that ultimately the system that was in place, as much as it had worked relatively well in the good times, when we were in the bad times, in the tough times, as we were, there were a number of companies that were holders of sustainable forest licences who basically were sitting on the wood. The wood was not being harvested. What was also happening was, there was real difficulty for companies or new entrants in particular that had some really good ideas and business plans for how they could use wood; they were having difficulty accessing the wood because, in essence, the wood was being held by a relatively small number of companies that had sustainable forest licences and they were not accessing the wood.

So we set up this process by which we consulted with the public, looking at a way to take a really good, strong look at how we could change the forest tenure system so that indeed we could make sure that our wood was being put to work. So we began the consultations about a year and a bit ago and we went to a number of communities and had opportunities for people to give us their opinions on it. It was clear that people felt that there needed to be a change in the way it was done. I certainly learned, as minister, a great deal about the forestry system all across the province. It's not just in northern Ontario, as you would point out. There are obviously other parts of the province that are very involved in the forestry sector. But what we determined was that indeed there was not just an appetite for change, but it was a good idea to maybe move forward on it. So we brought forward a proposed modernization of the tenure system. A model was brought forward and that was put out in draft form I think it was on April 30 of this year. We followed that with further consultations.

Ultimately, we are looking at a model that will, as we move it forward, change the way that we basically allocate and price our crown wood in the province of Ontario. There have been many discussions about it, lots of strong feelings about it. It's probably fair to say there have been some concerns expressed, particularly by those who were working under the former system; they don't particularly want to change it. But I've got to tell you, the more discussions that we have, the more optimistic I am that we can effect a change whereby there's much more local involvement, there's much more connection in terms of some of our aboriginal communities.

One of the recommendations is that we set up local forest management corporations that would have a board of directors, be allocated a specific amount of fibre, and they would be in a position where they could, by a variety of different means, including testing the market forces, make the wood available to all those who had good business plans. This has been a fascinating process, because, as I say, there's been some controversy attached to it. But in essence, I think we're getting a much better understanding that, in order for us to perhaps avoid

what's happened in the past, this new tenure model needs to be put in place.

We're working very much on the basis that we want to test those principles, test that model. We're working hard to determine a couple of pilots—perhaps one in the northwest, one in the northeast of the province—and to test that model to see whether or not this can indeed be successful, to see, with the principles being tested, whether or not we can get a new tenure system in place that will work. This is going to take some time, but we think it's one that makes a great deal of sense.

This ties into some of the other good things that we're doing. In our last budget, one of the most exciting things is that northern industrial energy rate program, which is going to be able to reduce costs for the forestry sector and the mining sector. That's been one way we've actually brought some real assistance to the industry. We had it previously for the forestry sector, and it was certainly well received. It was another one of the benefits of our incentive programs, and they're still of benefit to the industry. But to have this northern industrial energy rate program put in place was very, very exciting. It's one that's been well received by industry in general and we've expanded it.

One other piece I will just tell you about is that as we work our way towards a reframing or a modernization of the tenure and pricing system in the province of Ontario, as we take the time we need to get it right, and as we work with our industry partners and with some of the new entrants to try and move this forward, we also recognize that we need to put an interim measure in place. I mentioned earlier about the fact that there was a significant amount of Ontario's crown wood that was not being harvested. One of the things that we determined was important was to look at which of that wood could actually be put into a wood supply competition. We identified somewhere close to 11 million cubic metres. It ended up being a smaller amount that we were able to have made available in that wood supply competition, and we have got a competition process under way right now. I think we've had 115 proposals for that wood supply competition.

1630

We're now moving into a phase of the competition—this is something that is, by the way, being done under the watchful eye of a fairness commissioner to make sure that it's done in certainly the most fair way possible. It think it's important that it be done that way. There are criteria that were put in place to again make this available to potentially new entrants. It's a lot of wood. It's the biggest wood supply competition certainly in the history of the province. We're hopeful that we can have some recommendations coming forward—I think “relatively soon” would be a way that I'd phrase it. Certainly, I'm hoping sometime in November; I'm not sure if my officials are cringing while I speak, but I think that's a pretty accurate way of looking at our timing. We want to get this out, because this again is about taking unused wood, some merchantable and some unmerchantable, and

making it available for use amongst our forestry sector businesses in the province of Ontario. So this is something else that was in essence, as I say, an interim measure.

What we ultimately felt was that it was important to take some measures that would respond to clearly something that was—I'm reluctant to say "a large problem," but there's no question that we need to look at a system that obviously has not worked as well as it should, particularly in the bad times. So the incentive programs have been extremely helpful.

I'm just returning from a great experience yesterday. I was in Terrace Bay, Ontario. The pulp mill there, the only pulp mill between Thunder Bay and Sault Ste. Marie, reopened yesterday. It was a pretty remarkable experience to be standing on the plant floor knowing that there are 340 people going back to work. I'm glad that we were able to be part of helping that company get back into business—a very, very good asset—and produce pulp again.

There are many examples of the work that we've done with a number of other companies as well in terms of the incentive programs, and there is work we're continuing to do with them. But there's no question that when I was given the responsibilities of dealing with forestry by the Premier, which was a great honour, obviously—it's a big task. There's no question about it. We have been and we are going through really challenging times, but I believe that the measures that we're taking are going to make a real difference. I continue to be very committed to seeing some of these positive moves continue to take place. I'm looking forward to providing an update on the tenure system—our tenure review in the fall. And certainly, as I say, we're looking forward to making some announcements related to our wood supply competition.

**The Chair (Mr. Garfield Dunlop):** You've got two minutes left in this round.

**Mr. Jim Brownell:** Okay. Well—

**Hon. Michael Gravelle:** I could carry on for two more minutes without blinking.

**The Chair (Mr. Garfield Dunlop):** It's pretty clear you could do that.

**Hon. Michael Gravelle:** Is that pretty clear?

**The Chair (Mr. Garfield Dunlop):** That's clear you could do that. Go ahead.

**Mr. Jim Brownell:** Go ahead. If you would.

**Hon. Michael Gravelle:** Ultimately, I think there's no question. This is something that we have been very, very conscious of as a government. I am the member for Thunder Bay—Superior North, and certainly when I was very fortunately re-elected in 2003, I recall—this is not the entire problem, but I do recall, as I think many of us do, that the dollar was at 62 cents. That became a really interesting factor in things changing very, very quickly.

I remember things changing rather quickly as the dollar rose, and listening to and going to many of the companies that were in my communities. I'm an MPP who represents communities where the mills, at this stage, are not operating. That's perhaps one of the reasons why

I was so pleased about Terrace Bay reopening. There are a number that aren't. But we're working with them.

I was really pleased at the time that Minister Ramsay set up that—I can't recall the right phrasing for it, but it was the competitiveness or whatever—my ministry officials are probably conscious that I'm not getting the words right, but in terms of setting up the group that was making recommendations. What he brought forward was a clear recognition by our government that we needed to take some measures to provide some incentives. To some degree, the challenge was finding the right way to make those incentives work. I made reference to a number of them that have been extremely successful. There was also significant relief given related to stumpage fees, for example, which made a huge difference at a very significant time in the industry.

When we were given the opportunity in our ministry to take on the business side of forestry, that's when we very much embraced the opportunity to take on the rather daunting task of looking at the tenure and pricing system in the province of Ontario. These things are difficult to do, but we are embracing them, as we are the wood supply competition, which is on the base of putting in place a forest tenure system in a forestry sector that is hopefully not going to be dealing with the cyclical highs and lows in quite the same way as they have in the past.

**Mr. Jim Brownell:** I do have a supplementary, but I'll—

**The Chair (Mr. Garfield Dunlop):** You'll have another round.

We'll now go to the official opposition, and we'll clean up your time, as well.

**Mr. Randy Hillier:** First off, I would like to thank the minister and his staff for being so expeditious with those responses to the questions last week.

Just briefly on that, as well, I did notice, in reference to the services line item in your results-based planning brief, that you have a little over \$20 million out of that \$234 million that is spent on various consulting and professional services, including communications and external consultants. I was wondering if the ministry could provide me with a breakdown of the various consulting firms that you employ at MNDMF.

**Hon. Michael Gravelle:** You're dealing with the general ministry and operations—

**Mr. Randy Hillier:** The operating services budget breakdown.

**Hon. Michael Gravelle:** Right.

**Mr. Randy Hillier:** The question I asked was about that \$234-million line item.

**Hon. Michael Gravelle:** This is the one that includes communications, external consulting, staff development—

**Mr. Randy Hillier:** Yes. You'll see there's an item there for \$17.1 million—and then professional services, due diligence services, legal services.

Can you give me a list of all the external consultants who are employed by the ministry?



**Mr. David O'Toole:** That would be a retroactive look at the previous years we've awarded contracts through tendering competition. So you'd like—

**Mr. Randy Hillier:** For this year. We're talking about this year's budget.

**Mr. David O'Toole:** This is the forward-looking budget, right?

**Mr. Michael Hillier:** Yes, but you've already engaged a number of them.

**Mr. David O'Toole:** We budgeted that amount of money going forward in the event that these are required, so—

**Mr. Randy Hillier:** For the previous year.

**Mr. David O'Toole:** Okay.

**Hon. Michael Gravelle:** Mr. Hillier, I don't want to interrupt you, but we also have the responses to your questions from this morning.

**Mr. Randy Hillier:** It would be an absolute pleasure to have those tabled, as well. I'll have to thank you twice.

**Hon. Michael Gravelle:** Hey, we'll take it.

I think you asked four different questions, and if I may, I'll read them. The first question was, "On lands not patented for mining purposes, are landowners in municipalities subject to both mining land tax and municipal tax?"

In general, on lands for which the mineral rights are patented, i.e. privately held, there are three circumstances under which the patent and mineral rights are subject to mining land tax: (1) where the original crown grant—

**Mr. Randy Hillier:** That's straight out of the legislation. I've read the legislation.

The question was, couldn't lands be subject to both municipal taxation and the mining tax where that land was not patented specifically for mining purposes?

**Hon. Michael Gravelle:** There are three conditions. Within municipal boundaries, where any of these three conditions apply, the landowner is subject to mining land tax for the mineral rights and municipal taxes for the surface rights.

**Mr. Randy Hillier:** I'll read through your response after, when you table it.

**Hon. Michael Gravelle:** You also asked whether we received any applications for exemption from the mining land tax. We have introduced a new provision under the Mining Act, section 199(3), to allow private mineral rights holders to apply for an exemption from mining land tax if their mineral rights were originally granted for mining purposes but are not used for mining purposes. This provision has not yet been proclaimed. We do anticipate—

**Mr. Randy Hillier:** So you haven't received any applications, obviously, then?

1640

**Hon. Michael Gravelle:** We're consulting on the exemption criteria, so we haven't received any applications, exactly. That is the long and short of that.

Your third question: Have we ever refunded mining land taxes or provided compensation? It's been done only in very, very rare circumstances. Section 202 of the

Mining Act, which applies to anyone liable to pay mining tax, does provide for the ability to refund mining land tax when a doubt arises as to liability and the taxes have been paid under protest. As I said, this has been done in very rare circumstances.

You asked about whether we ever taxed mineral rights holders inappropriately. I think it's fair to say, and I trust you'll understand, that the history of mining land grants in Ontario is a long and complicated one. There have been a few cases where, due to administrative errors, we may have inadvertently charged someone tax when they should not have been, or they may have been charged too much—or for that matter, they may have been charged too little. Certainly, as you would hope and expect, once these errors are discovered corrective measures are taken. It's an extremely rare occurrence.

In addition, section 202 of the Mining Act, which applies to anyone liable to pay mining tax, of course, provides for the ability to refund mining land tax where a doubt has arisen as to liability and the taxes have been paid under protest. Again, this has been done only in extremely rare circumstances.

Under the Mining Act, there is also a provision, which is subsection 195(1), that provides the right to apply to the Mining and Lands Commissioner if there is a dispute regarding whether lands are subject to mining land tax and/or the amount of tax levied. Again, very few such cases have been filed with the Mining and Lands Commissioner over the years.

**Mr. Randy Hillier:** Okay. Thank you very much—

**Hon. Michael Gravelle:** You asked one more question. I may as well—this won't take long.

Since 2004, how many properties have reverted to the crown for failure to pay the mining land tax? Our records indicate that since 2004, roughly 200 properties a year revert to the crown for failure to pay mining land tax.

**Mr. Randy Hillier:** Thank you very much. I look forward to going through those in a little bit more detail this evening.

**Hon. Michael Gravelle:** We want to be helpful.

**Mr. Randy Hillier:** Minister, may we just ask a couple of quick questions? Is Eric McGoey still your chief of staff?

**Hon. Michael Gravelle:** He certainly is.

**Mr. Randy Hillier:** And what position does Kevin Costante—are you familiar with that name?

**Hon. Michael Gravelle:** Sorry?

**Mr. Randy Hillier:** Costante? Kevin Costante?

**Hon. Michael Gravelle:** He was my deputy minister and now is a deputy minister in another ministry.

**Mr. Randy Hillier:** Okay; so he was the deputy minister.

**Hon. Michael Gravelle:** Yes.

**Mr. Randy Hillier:** I'm going to ask you a number of questions regarding mining taxes on properties that are not subjected to mining taxes, but they are indeed being paid. I guess the first thing: When you are made aware—I guess you would expect your staff in the ministry to make you aware if they were indeed imposing taxation

on properties that they ought not to. That would probably be a fair statement, that you would expect to be aware of that?

**Hon. Michael Gravelle:** My minister's office staff and the deputy minister's staff keep me informed of issues that they think are important for me to be kept aware of. As you can imagine, there's lots that's happening in our ministry.

**Mr. Randy Hillier:** Absolutely. There are many things going on.

There are a number of people in this province who are paying taxes on their properties where it certainly does not appear that the ministry has the authority to impose that mining tax. I'd like to start off by saying—and it's been acknowledged by members of your staff that this is indeed happening, but it continues.

Anyway, I'll just start off—in a phone conversation between your chief of staff, Eric McGoe, and one of these people who were being taxed inappropriately, your chief of staff was explicit in acknowledging the financial and legal liability faced by your ministry as a result of the illegal taxation and compensation. He confirmed that the tax had been improperly applied. This was on March 4, 2009. "There's an agreement in principle that you were not taxed properly." This is to a gentleman named Charles Ficner. I'm sure you're familiar with his name, or members of your staff are. He went on to say—your chief of staff—that he was skeptical of the likelihood of Charles Ficner receiving either an apology or a formal admission from government that they are wrong. Again, that skepticism stems from nothing other than your chief of staff's belief that organizations protect themselves.

So I want to ask, Minister: Here's a case where your chief of staff knows that this property is being taxed improperly. It's been admitted to in conversations. There's evidence of it. But that gentleman is still forced to face this taxation under threat that his property will be like one of those 200 others per year that revert back to the crown if he does not pay this tax, even though you have no statutory authority to actually impose that tax.

**Hon. Michael Gravelle:** Well, as I think I referenced in some of the earlier questions you asked, and I tried to respond as best I could, we certainly have had circumstances where clients have disputed their liability for mining land tax. There is a complicated history of mining taxes administered under different acts and even by different ministers.

Certainly, we always are careful, particularly under those kinds of circumstances, and we take appropriate review of the situation. We do our best to suggest appropriate recourse under the Mining Act, including the right to appeal to the mining commissioner. Every effort is made to follow that course—

**Mr. Randy Hillier:** But here we have a case where there is an admission by your chief of staff that this tax is inappropriate and it's still being imposed.

There was one other comment made by your chief of staff. This one was on March 4, 2009, and I'll quote it. This was in describing the comments, excuses and ex-

planations of the ministry in trying to cover up this taxation. He said to Mr. Ficner: "The same resistance and baffle-gab that you have been dealing with for the last 20 years"—this had been an ongoing case. He has indeed been protesting this taxation for over 20 years. He has been met with, as your chief of staff said, nothing but resistance and baffle-gab. And the unfairness continues.

This gentleman is paying a tax, against his will, to a ministry that has no authority to impose that tax. If he does not pay the tax, the crown will seize his property.

I'd like, Minister, for you—and I know that you are aware of this, because you sent him a letter yourself, back in July 2009, regarding this, but it still continues. I'd like you to answer: Why are people in this province being subjected to illegitimate taxation on their properties under the threat of losing their lands?

I don't know how many of these 200 properties per year that are reverting back to the crown are illegitimate like Mr. Ficner's, who is facing that threat, but even if there's one—and I certainly do believe there are significantly more than one. Even if there was only one, that's atrocious, and it's shameful that the ministry is continuing to do this, even though there has been a long admission that they know that they're imposing this taxation illegitimately.

1650

**The Chair (Mr. Garfield Dunlop):** Is this before the courts?

**Mr. Randy Hillier:** No.

**The Chair (Mr. Garfield Dunlop):** Okay. I was just curious. I just wanted to make sure that it's not something that—

**Mr. Randy Hillier:** No, just this court.

**The Chair (Mr. Garfield Dunlop):** Okay. I just wanted to clarify.

**Hon. Michael Gravelle:** Let me just clarify one thing: The 200 properties a year that I referenced earlier have their mineral rights revert to the crown.

**Mr. Randy Hillier:** Yes, but we understand that when the mineral rights revert back to the crown, in essence, in practical terms, the crown has taken ownership. There is no physical defining line between the mineral and the land. If the crown has ownership of the minerals, they indeed have ownership of the property. You may not have title, but you have ownership and control. That's a powerful, powerful thing—a threat—to have hanging over someone, that they either pay this illegal or illegitimate tax or they lose ownership and control of their lands.

*Interjection.*

**Hon. Michael Gravelle:** We may be treading on legal territory here, and I would ask Catherine Wyatt of our legal branch to perhaps join us.

**The Chair (Mr. Garfield Dunlop):** Sorry. Your name again, please?

**Ms. Catherine Wyatt:** It's Catherine Wyatt. I have a card if someone needs to spell that.

**The Chair (Mr. Garfield Dunlop):** Oh, okay. It's just for Hansard. Thank you.



**Mr. David O'Toole:** What I asked Catherine to come up for was specifically to address the issue of the reversion of mineral rights to the crown and the implications for that with respect to service rights. If she could walk us through that in response to the question.

**Mr. Randy Hillier:** Well, no. I was saying that there has been a reversion of 200 properties back to the crown for failure to pay a tax. We have evidence that the ministry is imposing taxation on properties where they have no authority to do so. People are losing ownership and control of land. I don't know how many out of those 200 per year are in the same position as Charles Ficner, but I know a few others like Charles Ficner, and they're continuing to pay those taxes even though they ought not to have to. Others probably don't have the financial wherewithal to continue paying, and they lose their properties back to the ministry.

You're aware of this, because the previous deputy, Kevin Costante, offered up, on January 30, 2009—he made an offer of compensation of \$5,000 and the return of the illegal taxes. However, there were clauses attached to that offer which would have prevented Mr. Ficner from exposing this to others, so he did not accept.

I think it's atrocious that people in this province are facing that heavy-handed approach by your ministry.

**Hon. Michael Gravelle:** Are you after a legal—

**Mr. Randy Hillier:** No, no. This is in the operations of the ministry.

**Hon. Michael Gravelle:** But may I say, as I pointed out in one of the earlier responses, we have got a new provision under the Mining Act to allow private mineral rights holders to apply for an exemption from the mining land tax if their mineral rights were originally granted for mining purposes but they're not being used for mining purposes. In southern Ontario, part of the Mining Act modernization—actually, it was very important. We had a relatively controversial issue in terms of southern Ontario, and we moved to make sure that people with separate service rights and mining rights, that the actual mineral rights were withdrawn from staking as part of changes to the Mining Act, in order to deal with that issue. So in that sense, I think we've responded to that as sensitively and as carefully as we can.

**Mr. Randy Hillier:** Well, I can see you're spending millions of dollars on due diligence and professional services every year, and this problem remains. This problem continues. With Mr. Ficner, it has been going on since 1991, and there have been others as well that have been going on for some time. I think that your staff are aware of it. Your chief of staff is aware of it. The ministry is aware of it. It still is not addressed, other than, "Take some money; don't tell anybody else what we're doing so we can continue those wrongdoings with others," as was indicated to Mr. Ficner back in January 2009. He is still paying that tax on those properties—that illegitimate tax.

I'd like some confirmation from the minister that you'll look into the revenue that your ministry is deriving from these taxes and correct the errors that are there. Clearly there are a number of errors, and your ministry is aware of it.

**Hon. Michael Gravelle:** I am going to ask the deputy to respond to one piece of what you referenced, particularly the former deputy's letter, Deputy Costante's letter.

**Mr. David O'Toole:** I just want to make sure that the characterization of the settlement that was in the letter, the contents of the letter, is accurate as far as we know it. So, Catherine, I'd ask you to speak to that, please.

**Ms. Catherine Wyatt:** Yes, thank you. I have the January 30 letter. It was not conditional on any sort of a gag order, silence or confidentiality. There was an offer to refund tax on a without-prejudice basis, without admitting liability, because the ministry's position had been that it was properly assessed and collected.

In addition, there was an offer of a \$5,000 payment, again without condition; "ex gratia," it says in the letter. It does refer to the fact of that being the same amount that was the ministry's share in a previous Ombudsman's offer to settle that had been made, by which \$5,000 was offered on behalf of the Ombudsman, MNR and MNDM at that time.

**Mr. Randy Hillier:** Can you repeat—I didn't hear you at all. Just prior to the Ombudsman, you were mentioning?

**Ms. Catherine Wyatt:** It was \$5,000 ex gratia payment without condition.

**Mr. Randy Hillier:** Without. And "extrat"?

**Ms. Catherine Wyatt:** Ex gratia, meaning—

**Mr. Randy Hillier:** Oh, ex gratia, okay.

**Ms. Catherine Wyatt:** —out of the goodness of our hearts.

**The Chair (Mr. Garfield Dunlop):** You have four minutes in this round, by the way.

**Mr. Randy Hillier:** Maybe we'll get into some more of this in the next round as well.

But I do want to just move off-subject a little bit. I want to follow up a little on what the member from Timmins—James Bay was talking about: processing.

This summer, I had the opportunity to listen to a vice president from OPA at the Midwestern state legislators' conference. I'm not sure if you were there. His comments were very enlightening. He spoke about the green energy program that this government has undertaken. When questioned by a legislator from Nebraska, "How is this affecting the manufacturing and industry in Ontario, this green energy policy?", the gentleman replied, "We have made a conscious decision in Ontario"—this Liberal government—"that if your business requires energy, this is not the place to set up business." That is what the vice-president from hydro said to all the legislators: "If your business requires a significant component of energy, Ontario is not the place to be."

You realize that as well, Minister. You're quite in tune with the policies of this government. That's why we saw Xstrata leave Timmins: the cost of energy. How can you possibly suggest to people that we are going to have value-added processing out of the Ring of Fire when your government has made a conscious decision that if your

business requires energy, you can't be competitive and you won't set up here?

1700

**The Chair (Mr. Garfield Dunlop):** Two minutes to finish this round.

**Hon. Michael Gravelle:** Thanks. I certainly question the quote you're referencing, but perhaps more importantly, what is very clear with the Ring of Fire development is that this is a huge, exciting economic development opportunity that, managed well—

**Mr. Randy Hillier:** I agree.

**Hon. Michael Gravelle:** —as we are determined to do—and to play the significant role we know we can in terms of managing this process. In terms of all our relations that we are building either with First Nations or the companies themselves, we are determined to actually make this happen. This is a commitment by our government in terms of the Open Ontario plan—

**Mr. Randy Hillier:** Are you going to lower the cost of energy, then?

**Hon. Michael Gravelle:** We recognize the challenges that are there, but this is a priority for our government and certainly one that the Premier again has spoken about himself. We are confident that we will be able to not just move forward with the development of the mine sites themselves but also the processing facility.

**Mr. Randy Hillier:** Minister, you know the energy is a significant cost of mineral processing.

**Hon. Michael Gravelle:** Sure.

**Mr. Randy Hillier:** Absolutely, and you know that our costs are way out of line with our neighbouring jurisdictions. How can you honestly say to people that you're expecting processors to set up here when you know the energy cost is prohibitive and that your Green Energy Act is increasing the cost of energy, not decreasing. It's increasing it. It's putting them into an even worse position.

What are you going to do to make your statements legitimate? Are you looking at lowering the cost of energy in northern Ontario to a position where they will be competitive?

**The Chair (Mr. Garfield Dunlop):** That concludes the time. You'll have to get back to him with the question in the next round.

We'll have to now go to the third party. Mr. Bisson.

**M. Gilles Bisson:** Ma question est pour le ministre et fait affaire avec la situation de la ville d'Opatatika qu'on connaît très bien. Le village d'Opatatika, comme vous le savez, avait déjà un moulin—une opération forestière qui était là qui appartenait à Tembec et qui était la seule industrie dans la communauté. Ils se sont fermés, comme vous le savez, il y a au moins six ou sept ans. La communauté, depuis ce temps-là, et notre préfet, M. Nolet, son conseil, l'administration de la ville d'Opatatika, les citoyens et des autres travaillent très fort—ça fait beaucoup d'années—pour trouver la relève pour cette communauté.

Quoi faire quand ton industrie ferme, et quoi faire pour faire le suivi sur les emplois qui ont besoin d'être créés pour être capable de renouveler l'économie locale?

Donc, le préfet, M. Nolet, et son conseil, l'administration et des autres travaillent très fortement dans les dernières années pour être capables de faire cette relève—quelqu'un qui vient en avant et qui dit : « On est préparé à faire quelque chose qui est intéressant pour la communauté, un projet qui, à la fin de la journée, pourrait amener non pas tous les emplois qu'on a perdus, mais une bonne partie, pour être capable de mettre en place un programme de biomasse pour la communauté d'Opatatika. »

Vous le savez, j'en ai parlé directement avec vous à la Chambre à une couple d'occasions—même plusieurs occasions—la dernière année, faisant affaire avec ce projet. Ce qui est frustrant pour la communauté—puis j'arrive à ma question—c'est que la communauté d'Opatatika a fait ce qu'il y avait à faire. Quand l'usine s'est fermée, le gouvernement provincial et notre Premier Ministre ont dit : « Vous avez besoin de faire la relève. Vous avez besoin de trouver une manière d'aller de l'avant avec quelque chose qui est différent de ce qui était là avant. »

Donc, la communauté, qui a travaillé très fort, a trouvé un entrepreneur et des investisseurs qui étaient intéressés à aller de l'avant avec un projet de biomasse. Ils ont fessé le mur—comme on dit en anglais, « the wall »—quand ils sont arrivés à nos locations pour le bois.

Dans le temps—ce n'était pas vous le ministre; c'était M. Ramsay—ils se sont fait dire : « Écoutez, allez faire une entente avec les entreprises locales forestières qui sont dans votre coin. Allez parler à Tembec ou aux autres qui ont des licences dans le bois et essayez de vous organiser avec une entente avec eux pour avoir accès au produit dont vous avez besoin pour être capables de transformer ça dans vos usines de biomasse à Opatatika. »

La communauté, qui était en avant—l'entrepreneur qui était en avant avec ses investisseurs, qui ont fait ces ententes avec Hearst Forest Management où ils ont négocié une entente pour environ 100 000 mètres cubes de bois—je pense que c'est peut-être même plus que ça, mais au moins 100 000 mètres cubes—ce qui a alloué ce projet d'aller de l'avant.

Le gouvernement, l'année après, a fait une annonce qui disait : « On commence un nouveau processus. » C'était un processus que j'avais demandé il n'y a pas longtemps qui disait de mettre à la disposition de ceux qui en ont besoin le bois qui n'est pas utilisé par les autres entrepreneurs qui sont là présentement—les compagnies forestières telles que Tembec. Le gouvernement a annoncé une manière que n'a pas répondu à mes préoccupations et à mes demandes, mais néanmoins, on était en avant. Et qu'est-ce qui est arrivé? Le bois qui a été négocié entre Hearst FMA, qui est du bois de Tembec et d'autres, a été mis en jeu et retiré, ce qui veut dire que toutes les négociations qui ont été mises en place pour faire la relève à Opatatika ont été perdues avec votre nouveau processus de demande—RFP, « request for proposals », en français?

*Interjection.*

**M. Gilles Bisson:** Demande d'appel d'offres. C'est beau quand on a des traducteurs ici qui veulent nous donner ces mots.



Les demandes d'offres ont nui à la communauté d'Opasatika parce qu'eux autres ont perdu ce bois.

Donc, où est-ce que les affaires se sont rendues avec votre ministère, présentement, envers la demande d'Opasatika et des entrepreneurs d'aller de l'avant avec ce projet-là? Est-ce qu'eux autres vont avoir le bois dont ils ont besoin pour aller de l'avant avec ce projet?

**Hon. Michael Gravelle:** I know you understand that I can't speak in specifics about applicants for the wood supply competition that we brought forward, so I can't talk about whether or not an application has been brought forward or not in terms of the community.

I do recall our discussions very, very well. In many ways, that was an example of why we recognize that we need to make some changes in terms of how we allocate wood in the province of Ontario, related to the forest tenure system.

In terms of the wood supply competition, you certainly did, as did many others, call on us to provide those opportunities. That's why we brought forward the wood supply process, as well.

The fact is, the community was given an opportunity to resubmit their application.

Actually, one of the most difficult things for me has been how important it is for me not to be able to, obviously, in any way influence the wood supply competition. I'm very keen to get to the point where we can announce some successful proposals, but what I can't speak about is who has applied, who has not applied and who is successful at this point.

I hope you understand. I want to work with you and with every member in northern Ontario, related to some of the challenges and opportunities we have there. That has been a difficult situation. There are other communities in your riding—and you could give other examples of where opportunities, perhaps, have been missed. Again, my goal as minister is to try to find ways to make the kinds of changes that will mean that in the future we're able to have some real successes in terms of these opportunities.

It's been tough. I've got my own situation in my riding and you've got them in yours, in the northern community—and there are other communities, may I say, in the province where that happens.

I know you also know that if a community wishes to get together with me, I never turn it down. I meet with them, and I will meet with them on your behalf, as I would any other.

1710

In terms of the wood supply competition specifically, again, I spoke about it a little bit earlier when I was asked about it by the government party. We're keen to get some—we're going to have some answers, I'm hoping, sometime early in November. I can't speak to specifics, but I know how important this project is.

**M. Gilles Bisson:** Ce que je peux vous dire, monsieur le Ministre, c'est que justement la semaine passée, j'ai eu la chance de parler au préfet, M. Nolet, et à d'autres

membres de la communauté, et ils sont extrêmement—je répète—extrêmement frustrés par le processus.

Ils ont été demandés d'aller d'une certaine ligne. Ils ont été demandés : « Allez négocier avec le secteur privé, allez trouver une entente avec le secteur privé, puis une fois que vous avez fait ça, vous serez capables possiblement d'aller de l'avant avec votre projet. »

Comme vous savez, ce n'est jamais facile de négocier avec le secteur privé quand ça vient au bois, parce que les compagnies ne sont pas nécessairement toujours d'accord pour donner ce bois dont ils n'ont pas besoin à quelqu'un d'autre. C'est une partie du problème.

Donc, ils ont finalement eu une entente avec Hearst FMA pour aller de l'avant, et c'était retirée. La communauté se sent très frustrée parce qu'ils ont fait ce qu'ils ont été demandés de faire par ce gouvernement et par M. Ramsay, quand il était le ministre, et là on se trouve dans une situation où ils ne sont pas plus en avant qu'ils étaient au début du processus.

Je comprends très bien le préfet Nolet et les autres—qu'il y a un nouveau processus en ville—« a new sheriff in town », jusqu'à un certain point, comme on dit, Sheriff Gravelle—et qu'ils ont besoin de passer ce nouveau processus.

Ma question devient : pourquoi est-ce qu'on a inclu dans le nouveau processus le bois qui était déjà négocié entre les compagnies privées? Dans un point les compagnies, telles que les projets d'Opasatika, allaient négocier avec le secteur privé. Elles allaient faire ce qu'il a été demandé par le gouvernement provincial, et elles arrivaient à une entente. Pourquoi est-ce que ces ententes-là sont retirées et le bois est remis dans le processus directement au début encore? Pourquoi est-ce qu'on a fait ça?

**Hon. Michael Gravelle:** I'm not sure whether there's anybody from my ministry who might want to respond to that.

**Mr. Gilles Bisson:** Come on, Bill.

**Hon. Michael Gravelle:** I'm not sure—I'm looking at Bill Thornton, our ADM—whether or not you can talk about this, Bill.

**M. Gilles Bisson:** Bill, tu parles le français.

**Mr. Bill Thornton:** I can speak to it in general terms—

**Hon. Michael Gravelle:** Will you join us?

**Mr. Gilles Bisson:** Please, Bill, you speak French, eh?

**Mr. Bill Thornton:** No.

**Mr. Gilles Bisson:** Oh, I thought you did.

**Mr. Bill Thornton:** Sorry.

**Mr. Gilles Bisson:** Okay. I always thought you did.

**Mr. Bill Thornton:** I think I have the gist of the issue, Mr. Bisson. I believe you're asking a question with respect to why, after having been directed by the ministry to negotiate business-to-business arrangements for a particular company that was interested in using forest biomass—and I understand that those were difficult discussions that took place, that may or may not have been concluded—the biomass in question was subsequently

included in the wood supply competition, and what gave rise to that. Is that the correct—

**M. Gilles Bisson:** C'est la question.

**Mr. Bill Thornton:** Okay. The standard we used to determine whether or not wood was placed in this competition was a very basic one: It was whether or not mills were operating at a certain point in time and, in doing so, using wood that was licensed to them. That was the test. So, we went back to a particular point in time—I believe it was March 2009—and asked ourselves whether or not they met those criteria.

The reason we did that was because we were very concerned to see the huge amount of wood in the province that was committed to mills but wasn't being used by those mills, and at the same time, those mills were saying, "No, you shouldn't make this wood available to other proponents, because it's licensed to us." That was the standard that was used.

I can't speak to the very specifics of that situation, but if the mills in question were operating at the time, then the wood was not placed in the competition. If they were not operating, the wood was placed in the competition that has given rise to the circumstances we see today.

**M. Gilles Bisson:** L'affaire que j'ai un problème à comprendre—je vais vous laisser brancher votre écouteur.

I'll sing in the meantime, until you get that plugged in. Frère Jacques, frère Jacques—there we are.

L'affaire qui est frustrante avec le processus—moi, je suis le premier à dire que si un bois n'est pas utilisé par une compagnie forestière, ce bois-là doit revenir à la Couronne. J'ai toujours maintenu cette position; je la maintiens encore.

L'affaire qui est frustrante avec ce qui est arrivé avec Opatatika, c'est que, eux autres ont été demandés de négocier avec le secteur privé l'allocation de bois. Ils l'ont fait—et oui, c'est vrai qu'ils n'étaient pas en production dans le temps de mars 2009, quand vous avez fait cette politique. Mais dans le moins des moins, pourquoi est-ce qu'on n'a pas dit : « OK, on vous donne un an, 16 mois, 18 mois. Si ce bois n'est pas utilisé dans un certain temps, vous allez le perdre » ? Pourquoi est-ce qu'on n'a pas au moins fait ça ?

Au moins, là, la pression aurait été sur les individus qui sont les investisseurs de dire : « It's time to ... or get off the pot », et puis faire quelque chose avec ce bois ou il aurait été retourné à la Couronne. Pourquoi est-ce qu'on n'a pas fait la distinction de dire : « Si vous avez fait une entente, on vous donne 12, 16, 18 mois, et à la fin de la journée, si vous ne vous en servez pas, on va retourner le bois à la Couronne » ?

Pourquoi est-ce que, au moins, on n'a pas pris cette position ? Cela aurait été bien mieux, quant à moi.

**Mr. Bill Thornton:** Thank you for the question. It's a good point: Why do we not put measures in place that would result in companies losing timber that they haven't used and be more specific? There are situations where that is the case.

The backdrop to this is understanding the nature by which the province makes commitments of crown timber

to various mills. It is a complicated backdrop and it is one that's steeped in history in terms of historical commitments that have been made through many different forums—in some cases, through express licences, in other cases, more indirectly through amendments to licences, and in other cases, through an instrument we call a supply agreement.

Depending on which of those instruments you consider, we have very explicit or not very explicit authority to do exactly what you're describing. I can consider some supply agreements, for example—

**Mr. Gilles Bisson:** And that was the case here.

**Mr. Bill Thornton:** Again, I don't know the specific instruments of commitment that are involved in this individual case.

**M. Gilles Bisson:** Mais l'affaire que je ne comprends pas est—et je vais essayer de faire la question plus simple—si c'est une question où il n'y avait pas d'entente entre ceux qui voulaient aller de l'avant avec le projet d'Opatatika et Hearst FMA, là, je le comprends très bien; la Couronne reprend le bois. Moi, je vais être le premier—vous savez, Bill, dans le nord de l'Ontario, j'ai toujours été vu comme quelqu'un qui dit : « Si tu ne te sers pas du bois, tu vas le perdre. » Parce que ce n'est pas utile à personne si on ne s'en sert pas.

Mais dans ce cas-ci, il y avait une entente entre ces deux compagnies-là, et je ne comprends pas pourquoi on n'a pas fait une distinction et dit : « OK, il y a une entente. Combien de temps vous avez besoin pour concrétiser cette entente-là pour aller de l'avant avec un projet? », et dit : « OK, on vous donne 12, 16, 18 mois, quelque chose de raisonnable » pour aller de l'avant. Pourquoi est-ce qu'on n'a pas fait la distinction? C'est la question que je vous demande.

**Mr. Bill Thornton:** Again, I can't speak to the specifics of that situation. I don't know the nature of the private deals that may or may not have been arrived at between this biomass enterprise and the other licensees in the area.

But on the broader public policy issue, I think we are in agreement. There needs to be some incentive to ensure that mills that don't use wood have to surrender it or at least give us a convincing business plan that they are planning to use it. That's the essence, as Minister Gravelle has said, of the rationale for the wood supply competition, and on a broader public policy perspective, that goes, in large measure, to our thinking around the need to reform our tenure system. It's a frustrating situation that we face currently where mills can idle themselves. There is no market per se to sell crown timber, and as a result of that, wood that could employ people lays idle. So part of our tenure reform discussions is not only about tenure; we've also talked about the need to establish more market mechanisms that influence not only the allocation of crown timber but how it can be priced as well.

1720

**Mr. Gilles Bisson:** I guess, you know—

**The Chair (Mr. Garfield Dunlop):** Two minutes left.

**Mr. Gilles Bisson:** Two minutes, thanks, Mr. Speaker—Mr. Chair, excuse me. I'm in the wrong venue.



The frustrating part is that I've been advocating for years that if wood is not utilized, we take it back. It is my view that that right exists currently under legislation. We don't need to do anything new to take wood back because the Crown Forest Sustainability Act—I was there when it was authored and put together—allows that to happen.

The frustrating part with Opasatika was, they were told, "Go negotiate an agreement business to business with Hearst FMA." They did it. They got the allocation of timber through the business-to-business process, and then, when the ministry decided to say, "Let's make available by way of RFP all unutilized wood," they scooped up the wood that there was an agreement on and said, "This has now gone back to the crown. Start back from square one."

The effect of that is that the investors took away, and now we're scrambling trying to figure out how to move forward with what could have been a very interesting project in that part of the province.

So I'm just saying, well intended, but, God, the effect of what you've done is to effectively scare away the investment that could have helped Opasatika today. We might be in a position further down the road to make something happen because, as the minister said, we know that they're still in the process; that come November or December of this year, we should have a decision on the allocation of timber. But I want to make a plug here: Opasatika—there's no employer in town. We need to recognize that they were hard done by when it comes to the original decision and we should allow an allocation of some type.

**Hon. Michael Gravelle:** I certainly hear what you're saying—

**The Chair (Mr. Garfield Dunlop):** Just a quick answer here, Minister.

**Hon. Michael Gravelle:** I appreciate the way you actually ended this particular discussion, because certainly if they have a good proposal, there's a good chance they'll be successful in terms of that. Obviously, I can't get involved, nor should I, in the specific applications, but—

**Mr. Gilles Bisson:** I think you should.

**Hon. Michael Gravelle:** This is ultimately about making sure we put our wood to work. I know that in many ways you do agree with some of the measures we're taking. You don't agree with everything we're doing it or how we're doing it, but in a general sense—

**Mr. Gilles Bisson:** In the principal, yes, but not in the details.

**Hon. Michael Gravelle:** There was certainly some support for it. But that's the way to look at it, I think. Despite the frustration, understandable as it is, if they have a proposal that's in that mix and the recommendation is made, they have a chance of being successful. It's all about who has the best proposal. We want to make sure the wood gets to work.

**The Chair (Mr. Garfield Dunlop):** Okay, thank you, Minister. We'll now move to the government members.

**Mr. Jim Brownell:** Thank you, Chair.

Certainly, Minister, in the first round that we had this afternoon you gave an excellent outline of the programs and the supports that this government has provided to the north in the forestry sector. I'd like to now look at being a little more specific. For example, I know in eastern Ontario—and I can relate to eastern Ontario a little more than the north because we, as a government, have given supports to both areas. In eastern Ontario, we have the eastern Ontario development fund and rural economic development to assist companies in all our ridings in eastern Ontario. You've outlined those opportunities in the north. I could go even around my riding and know of specific companies that have been the beneficiaries of the help from the government of Ontario. I could go around eastern Ontario, from Peterborough to the Quebec border in my riding, up to Pembroke, I could go around all that area and know that we've given a lot of supports.

I'm just wondering if you could be a little more specific. The north is a large, large area—massive. It doesn't even compare to what I'm talking about in eastern Ontario. I'm wondering if you could give us an outline and more specifics of how in different areas—this is support that the government is giving. Does it support all the areas? Is it more focused in one? Just be a little more specific.

**Hon. Michael Gravelle:** Thank you very much. I appreciate the question. Certainly the Northern Ontario Heritage Fund Corp. is the great economic development tool for us in northern Ontario. It's a remarkable program. It began back in the late 1980s when René Fontaine was the Minister of Northern Development and Mines, the great minister, who is still living in Hearst. Actually, one of the more interesting—I think interesting, anyway, because it's about me—elements is that I'm a former employee of the Ministry of Northern Development and Mines. I worked in the late 1980s to 1993 as a coordinator of the northern development councils and worked with Minister Fontaine.

The northern Ontario heritage fund got started, and last year we were celebrating our full 20 years of the fund. This is something that our government is extremely proud of. We made a commitment during the last election campaign that we would increase the fund from the \$60 million that it was at in 2007 to \$100 million. We have every year increased that along by \$10 million. We now have a Northern Ontario Heritage Fund Corp. program of \$90 million which invests in projects all across the north.

I must admit, I've never actually looked at everything all at once, but I think we would be hard-pressed to find a community in northern Ontario that has not benefited from the heritage fund corporation. I think it was put in place with a recognition of some of the economic challenges.

You mentioned the size of the north. We brag about this, but it's also daunting. We're talking about a part of the province where we have about 6% of the population and close to 90% of the land mass. That tells you a great deal about the challenges but also, may I say, some of the great opportunities particularly when we're talking about opportunities like the Ring of Fire.

But in terms of the Northern Ontario Heritage Fund Corp., since we came into office in 2003, we've approved over \$570 million in that period of time towards—I may as well just read the numbers. They're quite strong. They keep changing as we have meetings; we meet seven or eight times a year. There are 3,435 projects, leveraging over \$1.9 billion, which has helped to create or sustain more than 14,000 jobs.

I know that in every one of your communities in the riding you represent, every job is important; every job makes a difference. In northern Ontario, if you get a heritage fund proposal that will bring 10 new jobs to the community, it's an enormously exciting opportunity. We certainly are very proud of it and the fact that it's gone from \$60 million to \$70 million to \$80 million to \$90 million. It's a program that certainly is embraced by all northerners.

One of the things that we did, though, when we came into office in 2003, was decide we had to look at the program to revamp it, to look at the criteria. We revamped it to basically bring the private sector job creation back into it. The previous government had taken that opportunity away, and we thought it was a mistake. We revamped it to include private sector job creation, youth, emerging technologies—it was clear that we needed to be open to those opportunities—telecommunication and energy conservation opportunities, while we maintained our very critical support for infrastructure and other community development projects.

There's a number of programs. I'll just try, in the time I've got, to give you a breakdown of them. One of the programs that I'm most excited about—well, the youth entrepreneur program is remarkable. This is basically a program whereby we provide up to \$25,000 to young entrepreneurs. They do define young as 29 or under—or is it actually under 29? I'm not entirely sure.

#### *Interjection.*

**Hon. Michael Gravelle:** Twenty-nine or under. This is an amazing program. We've created 147 new business start-ups across the north for people who have got business ideas but the one thing they just couldn't quite get was the financing to do it, so we provided them with that.

One thing we discovered with that program—may I say perhaps particularly so when we went through some of our difficult economic times—was that there are a lot of people who have wonderful ideas for business start-ups in the north but they're older than 29. They may have worked, and perhaps they lost their position at one of the mills while we went through our really difficult time. There's lots of examples. They could be 35, they could be 40 years old—whatever.

The heritage fund board members, who are a remarkable bunch of northerners, by the way, who are absolutely dedicated to this job, do this work with a great deal of passion. Our board is a remarkably democratic board, too. We work together very, very closely and make our decisions as a board. They were talking about the fact that we needed to change this program. We needed to at least adjust it, so what we did was we started up a program called the northern entrepreneur program—not a

youth entrepreneur program—which was launched pretty close to a year and a half ago. That is actually providing conditional grants of up to \$125,000 to assist entrepreneurs over the age of 29, although, may I say, we've got some interesting examples of people who have actually been able to qualify for the young entrepreneurship program as well as the northern entrepreneur program.

#### **1730**

Again, the priority for the Northern Ontario Heritage Fund Corp. is absolutely job creation. To have been able to create or retain so many jobs has made a huge difference in northern Ontario. I can tell you that our northern development officers, who are working up in so many communities in northern Ontario, are absolute experts at working with individuals and with the communities in terms of putting their applications forward.

The exciting thing is that once we were able to get our new programs in place, the investments that we've made have been nothing short of remarkable. There has been over \$200 million, of the dollars I mentioned earlier, that has been invested in local community infrastructure development and other enhancement projects through that infrastructure and community development work. The fact is that that has made a huge difference in so many communities. I can give example upon example. Certainly over \$100 million has been approved through the Enterprises North job creation program, which has helped with 191 business expansions or start-up projects across northern Ontario.

Another program that has been remarkably successful that's part of the heritage fund suite of programs is the northern energy program. This funding has assisted, I think, over 180 projects with northern businesses and not-for-profit organizations. What it did was it allowed these organizations to reduce their demand on external energy sources and develop new renewable energy projects that can generate sales to the electrical grid. In many cases, it has been northern tourist outfitters who have been able to get into some solar energy projects which have been really, really great. It gets them off diesel, which is pretty exciting.

The other program that I haven't mentioned as much, and it's again remarkably successful, is our youth internship and the co-op program. This has helped create over 1,800 internships and co-op placements, and they again span the entire north. The exciting thing about that is—those of us who are northern members, and certainly Mr. Bisson, would be familiar with this—this has led to full-time positions for many people. It's a great program in terms of incenting the employers, both private sector and public sector, to employ young people who are just graduating from university and getting them into a position where the job can be made permanent. In many cases, it has done so. So it's remarkably successful; it's just great.

In fact, we had an event, maybe six months ago, where we brought in all the interns and the co-op placement people to one big event. It was remarkable in terms of what a difference they were making in all the communities. It was not just—certainly in my case it was Thunder



Bay, but it was bringing people in from all across the region. It was so exciting, the enthusiasm and the belief in this program, you just wish you could find a better way to talk about it more often, because it's so successful. I did reference the entrepreneur program earlier, and that's over \$7 million over the past years that has been spent investing in that program. It has been tremendous.

The emerging technology program is a very exciting one. This has been providing key support to actually build a new film and animation industry in northern Ontario. It has been just tremendous to see the jobs that have been created in that regard, that we can do things in northern Ontario that can be done elsewhere. But also, a very significant aspect of that has been expanding the broadband and cellular service capacity in northern Ontario. This is obviously absolutely vital in terms of us being able to make our communities truly open for business opportunities and economic development opportunities. That is an aspect of our funding programs that has been remarkably successful.

There has been a very significant investment in our aboriginal communities—over \$45 million through the NOHFC programs and including very significant telehealth service expansion, waterfront development and a number of cultural attractions in a number of the First Nation communities. We've been really pleased to be able to support community centres which could make such a difference, particularly, may I say, in a remote First Nation community.

One of the wonderful things about being minister—it's wonderful, obviously, to have the privilege of being an MPP—is to meet so many of the community leaders all across northern Ontario, and that certainly includes a number of the First Nation leaders in many of the communities. They certainly make me understand so much better how important it is to have community centres that can actually bring their youth forward, let alone some of the small business enterprises that they've been able to open up in their communities as well, which again the heritage fund has been able to really make a difference.

There's no question that this is a program that I am very proud of. I'm very proud of the fact that I was actually an employee of the ministry when the program first came into place, and it has been wonderful. I'm certainly in a position where I can tell you a lot more about how some of the programs work, about how one becomes eligible for them.

I spoke earlier about the youth internship and co-op program. This is just so neat. Generally it provides up to 50% of the wages, to a maximum of \$6 an hour, so they can hire post-secondary students from northern Ontario. The rules are pretty clear. Eligible students must be northern Ontario secondary school graduates—again, that matching age of 29 or under and currently attending an accredited college or university. The internship program generally provides up to 50% of the wages, to a maximum of \$27,500 annually, to private sector employers. Public sector employers can receive up to 90% of the wages, to a maximum of \$27,500 annually. The program does provide first-time employment in a related field to

recent university or college graduates from northern Ontario who are 29 years of age or under.

You can see that this is really helpful, particularly in terms of the public sector—well, actually to both. The private sector people have just taken us up on this amazingly, but in terms of the public sector, where you can pay up to 90% of \$27,500, it does provide certainly a pretty reasonable salary, which needs to be topped up by a certain amount.

One of the big issues in northern Ontario has been and always will be the issue of youth out-migration. I can speak from some personal history. As a young man from Thunder Bay, I absolutely loved the north but felt somehow that, like so many others, I needed to leave in order to build the career that I wanted. I ended up completely changing my mind. I ended up working down in Toronto and being so relentlessly homesick that I just simply had to go back, and that's where, may I say, I got the job with the Ministry of Northern Development and Mines.

We do recognize that we need to provide the opportunities. There were so many things happening in northern Ontario in terms of the new knowledge-based economy and in terms of the bio-economy. We are becoming truly a research centre in terms of northern Ontario and the province. There are so many opportunities. But it's important for us, we believe, in terms of the northern Ontario heritage fund to provide reasons that people can stay. That, I think, probably is one of the most attractive things.

Perhaps the youth entrepreneur program is one of the best examples. You're a young person, you love where you live, whether it's Thunder Bay, Sudbury, Timmins, North Bay, Red Lake, Kenora or Sioux Lookout, you absolutely want to stay and you've got an idea for a business, but you feel like, unless you get some support—we are able to keep people in the north—

**The Chair (Mr. Garfield Dunlop):** Two minutes, Minister.

1740

**Hon. Michael Gravelle:** How much time?

**The Chair (Mr. Garfield Dunlop):** Two minutes.

**Hon. Michael Gravelle:** Thank you very much.

It's a tremendously attractive way of keeping people in the north and allowing them to do so. We are very proud of the Northern Ontario Heritage Fund Corp.

One of the things that I maybe will use to wrap up—and I appreciate the deputy reminding me. This past summer we had been doing a search for our new executive director for the northern Ontario heritage fund. We announced today that we have appointed a northerner from Sault Ste. Marie, Bruce Strapp. Many people from northern Ontario will know Bruce well. He will be our new executive director of the northern Ontario heritage fund. He will be leading our organization. This is an incredibly important position for everyone in northern Ontario, being based in Sault Ste. Marie. We're excited about that.

Tell me what Bruce's position is right now. Could someone help me with that?

**Mr. David O'Toole:** He's the executive in charge of economic development for the city of Sault Ste. Marie. He's well known in the economic development community throughout the north.

**Hon. Michael Gravelle:** I knew Bruce back in my days when I was the coordinator of the northern development councils; he was a member of the northern development councils back in the late 1980s.

Anyway, we're very excited about the appointment of Bruce Strapp to the executive director position. He will do a tremendous job, and we're all very excited about that.

Thank you very much for the question and the opportunity to wrap it up with the announcement about Mr. Strapp taking over that very important position.

**The Chair (Mr. Garfield Dunlop):** A pretty good question and supplementary answers, too, I'd say. Forty minutes, you used up.

We'll finish off today with the official opposition. You have 20 minutes, Mr. Hillier.

**Mr. Randy Hillier:** Thank you very much.

I think it's clear to everybody that the Green Energy Act and northern development have conflicts between them: the high cost of energy and how it's affecting northern Ontario. That's evident. That's not a political statement, Minister. I think everybody is clear that the high cost of energy is putting our businesses in an uncompetitive position in northern Ontario.

I'm wondering: Has your ministry done any analysis, any evaluation, of how the high cost of energy, the increasing cost of energy, is going to impact development in northern Ontario?

**Hon. Michael Gravelle:** We continue to be very optimistic about the economic development opportunities in the north that are moving forward; there's no question. One thing we haven't had a chance to talk about is the northern Ontario growth plan, which we will be unveiling—

**Mr. Randy Hillier:** But have you done an analysis, an evaluation of how this increase in energy cost is going to either constrain or prevent these economic development opportunities in forestry and specifically mining and processing?

**Hon. Michael Gravelle:** I think the evidence you can see of what's happening in the north in terms of the mining sector makes it abundantly clear that the industry has made a decision. Quite frankly, they express it with their decisions in terms of what they're doing. The mining developments that are opening up in northern Ontario—I had an opportunity to speak about them earlier—are just incredible. I referenced earlier the opening of the Young-Davidson mine in Matachewan. They're coming forward. They're moving—

**Mr. Randy Hillier:** But Minister, have you done a business case? Have you done an analysis of how high energy is going to impact, or are you suggesting that there will not be any impact from the energy policies?

**Hon. Michael Gravelle:** What I'm saying is that industry is continuing to move into northern Ontario.

We're seeing the northern industrial energy rate—we recognize that energy costs are a challenge. That's why it was so important that it was recognized by our government—

**Mr. Randy Hillier:** It's not just a challenge.

**Hon. Michael Gravelle:** The northern industrial energy rate program will bring a reduction of 25% in costs to major industries. That's something that is very welcomed by industry; there's no question.

We know that industry is moving, certainly in terms of the mining sector, into northern Ontario. We know that there are challenges in the forestry sector, and we know that one of the challenges is energy costs. That's why our government made the decision in terms of the northern industrial energy program, which we announced in our budget in 2010. That's also why there were some adjustments made relating to the global adjustment and the impact that has on major industry.

So certainly there are some challenges in terms of the costs, but they're being responded to in a positive way by industry.

**Mr. Randy Hillier:** Just a minute. So we do know that the mining sector is performing in a smaller fashion economically now than it was as far back as 2004. There is less economic activity in the mining sector now than in 2004. I have asked a couple of times, and I guess the answer is, no, you haven't done an evaluation and analysis on how energy costs are going to prevent you from implementing your other programs to create greater economic development in northern Ontario.

**Hon. Michael Gravelle:** We work very closely with industry, obviously not just the mining industry but the forestry industry. We work very closely with industry, so we are conscious of what their challenges are, and we're working with them. That's why we were very pleased that we were able to have some items in the budget that were helpful to the industry. We are very keen to move forward with those developments, and we're working closely with industry to see that that happens, and the evidence is there that it is happening.

**Mr. Randy Hillier:** Well, when we have less activity in mining now than we've had since 2004, when we have 60 fewer mills in the province in forestry than we once had and 45,000 fewer employees in the industry, I think the evidence is there, and everyone I've spoken to in the north—

**Hon. Michael Gravelle:** Well, the evidence also is that the industry, particularly mining, is coming back in a very strong way. We do lead the country in terms of exploration dollars. We have the examples that I used of other mines that are opening up, which are incredible. We're going to have the largest gold mine in North America, Detour Gold. We're working closely with them. That's a very exciting operation. We have the Lake Shore Gold project, we have the Young-Davidson mine. There is example upon example of mines. I'm sure Mr. Bisson is very happy about these developments. I'm sure he is.

It's about jobs, not only construction jobs, but permanent, long-term jobs in a sector that is very much moving in an extremely positive direction, and the



decisions and support coming from our government have obviously been welcomed by that industry.

I'm very bullish about the future for the mining sector, and I think you should be as well. Things are happening, and that's also why we continue to be so excited about the Ring of Fire.

**Mr. Randy Hillier:** Well, I know there are lots of bears in northern Ontario as well.

I want to refer you back to your results-based book, to page 64, and I want to ask a couple of questions. This is out of your mineral sector competitiveness branch. First off, we can see your salaries and wages are now over \$20 million in this branch. Services is another close to \$20 million, \$19.6 million. And all we seem to be doing in this sector is—you've got in here another \$2.2 million for mining consultations, \$500,000 for mapping Ontario's geological opportunities and \$85,000 in reporting on mining activity. I wonder if you could speak to this for a minute. We know—we've got your information from last week, that services include communications, external consulting, staff development etc.

So we have over \$42 million or so in expenses to achieve half a million dollars in mapping of Ontario's resources or geological opportunities, and some additional mining consultation and reporting on mining activity. It seems to be a very significant amount of administrative costs and very little output out of your mineral sector competitiveness branch.

1750

**Hon. Michael Gravelle:** I think the deputy may be able to respond to some of the details.

**Mr. David O'Toole:** I think that Mr. Hillier's actually referring to a subset of information that's contained in the RBP, which has to do with the breakdown of financial expenditures or forecast for an individual branch within the mine and minerals division. I don't have that before me. I'll have to take a look at it.

**Mr. Randy Hillier:** You don't have this—

**Mr. David O'Toole:** Not with me, no.

**Hon. Michael Gravelle:** So you're looking at more detail—

**Mr. David O'Toole:** He's looking at the results-based plan.

**Hon. Michael Gravelle:** Oh, okay.

**Mr. Randy Hillier:** That's quite surprising to me, that you don't have a copy of this with you.

**Mr. David O'Toole:** Well, that would be my mistake, not the minister's.

**Mr. Randy Hillier:** We can see on that there has been a very significant increase in salaries and wages in that branch. In 2008-09, you were at \$13.4 million, and now it's estimated at \$19.8 million for 2010-11. I guess you wouldn't be able to describe to me what the increase in employment is in this branch of MNDMF.

**Hon. Michael Gravelle:** Again, I'm not sure of the details—

**Mr. David O'Toole:** I'll look into the details. If you're speaking about the specific branch or the division, this is also the period of time in which we embarked upon the Mining Act modernization effort, which has

required the hiring of some folks, who are on time-limited work contracts, in order to execute all the work associated with implementing that particular piece of legislation. Whether or not this has to do with that in this particular branch I'll go back and check, but that, perhaps, may be an explanation for the temporary bump in numbers.

**Mr. Randy Hillier:** The three functions that are described in here are reporting on Ontario's mining activities—these are the three outcomes of this branch—mining consultations and mapping Ontario's geological opportunities. It's a fairly significant administrative cost: over \$40 million, and increasing significantly. This year, the increase in salary and wages expected is 23.9%.

**Mr. David O'Toole:** I think, on the mapping one in particular, it's important to note that the mapping activity undertaken by the ministry makes available high-grade information to the mining companies across the province in a public way, which then, in a sense, saves them the cost of undertaking much of that activity on their own and levels the playing field to a great extent for small and medium-sized players in the industry, who would not otherwise have the opportunity to make business cases based on the value of the information.

**Mr. Randy Hillier:** Yes. Listen, I think that's a valuable undertaking, to map our geological opportunities, don't get me wrong. But it seems to be a very, very small component for an output of this branch, especially in relation to the huge expense.

**Mr. David O'Toole:** In order to be able to answer the question, Mr. Hillier, what do you mean by the "output" for the branch?

**Mr. Randy Hillier:** Those are the three activities that are identified here, which this mineral sector competitiveness branch, under their operating expenses, is doing for the people of Ontario.

**Mr. David O'Toole:** But I'm not sure that what would be captured in that characterization is the beneficial outcome to individual firms that go out and make money, establish jobs and make a profit based on the information that's being aggregated, filtered and provided to them, at no cost to them, for the economy in general up north. So I don't know how that gets factored into your characterization.

If, in fact, mining activity is increasing in particular spheres of the mining sector as a result of the money that the government is investing in resources and technology to provide ore mapping in a more reliable fashion and make it available to the small and mid-sized firms, I don't think that—while your observation is fair about the increase in human resources, how that gets balanced off against job creation and value production in the rest of the economy as a result of that activity—

**Mr. Randy Hillier:** Nobody can answer that question because it's not provided. You would be the only one who would be able to provide how that gets balanced out. Are we achieving—

**Mr. David O'Toole:** But then to—

**Mr. Randy Hillier:** I'm just looking at the numbers here, and it looks like we have a very exceptional ad-

ministrative cost and overhead cost to achieve very little output.

**Mr. David O'Toole:** If job creation and value creation in the sector is part of the output and we take a look at activity that is the direct result of the work that's been put into that, that hasn't been factored into your equation.

**Mr. Randy Hillier:** That's right. We don't know. I'm not sure—how much have you mapped of Ontario's geological opportunities? Have you mapped at all? I don't think so. That's one of the line items here. I guess with this we're going to have to let you guys take a look at that so I can—

**Mr. David O'Toole:** Don Ignacy, my CAO, has a contribution to make to this specific question as well.

**Mr. Randy Hillier:** Okay, sure.

**Mr. Don Ignacy:** The numbers you are referencing are not output or outcome numbers; they are actual transfer payments. It's a financial categorization of spending. When it comes to, say, mapping Ontario's geological opportunities, those transfer payments particularly go to First Nations so they can highlight some areas of special significance to them that are not on for geological staking—they can actually remove those lands. But there's a transfer payment of monies to First Nations. Similarly, around mining consultations, those are transfer payments to organizations and communities for them to host the dialogues around the regulations that are now under development under the new Mining Act.

**Mr. Randy Hillier:** Okay.

**Mr. Don Ignacy:** In answer to your question about salaries in that area, we put out an organizational design to deliver the new Mining Act requirements, and we got an increase of 44 staff, which should equate to the dollar differences you're referring to. There was an increase in budget and 44 staff so that we can administer the new regulations under the Mining Act, which has an additional regulatory staff of permitting, compared to the old system, and there are other things in there that the government has to undertake in order to deliver on the new regulatory regime—

**Mr. Randy Hillier:** So, how many staff would you have in that branch? Do you have that number offhand? I know you just gave the—

**Mr. Don Ignacy:** Around 200 or 230.

**The Chair (Mr. Garfield Dunlop):** We're down to four minutes, Mr. Hillier.

**Mr. Randy Hillier:** Okay. Going back to 2008, we had salaries and wages at \$13.4 million—I'm just reading right off here; that's your actuals. It then went up to \$16 million and is now approaching \$20 million. I can understand that 24% increase if you're adding another 44 employees because of these changes to the Mining Act, but the changes to the Mining Act weren't back in 2008 as well. There seems to be a fairly steady increase in salaries and wages under that branch.

**Mr. Don Ignacy:** If you're speaking between 2008 and 2009—

**Mr. Randy Hillier:** Were there more employees hired at that time as well, in anticipation of the Mining Act changes?

**Mr. Don Ignacy:** Not in relation to the Mining Act. That was in relation to more fieldwork by our geologists, and there was a special program we put in and got more fieldwork for mapping.

In relation to your question on mapping, we've got a target of mapping the whole province on a 20-year cycle.

**Mr. Randy Hillier:** Okay. So, every 20 years the complete province will be mapped for geological opportunities?

**Mr. Don Ignacy:** Yes.

**Mr. Randy Hillier:** Okay.

**The Chair (Mr. Garfield Dunlop):** Just a couple of minutes left.

**Mr. Randy Hillier:** Okay. I was going through that whole sector, and there seem to be a few gaps, but hopefully we'll have those books in place for everybody for the next opportunity, I guess, tomorrow.

Going back on this, everybody we speak to in the north knows that energy and access to resources are the key for these investments, and we have seen the loss of investment in forestry, especially, but in mining as well.

You mentioned that there have been changes made to the global adjustment fund for northern industry. Maybe you can explain that to me, Minister.

**Hon. Michael Gravelle:** I won't pretend to be an expert on it, but it basically is allowing the companies to use their energy at off-peak times in order to reduce their costs in an overall way, and at the same time not have any specific impact on residential rates. Minister Duguid made an announcement in that relation. It's another piece of help to the industry.

But I just need to reaffirm that there is a tremendous sense of excitement in northern Ontario—you know this, because I saw you in Thunder Bay last week—about the opportunities that are coming at us. And it's not just the Ring of Fire; there are many other opportunities that are coming before us. The Ring of Fire is obviously the one that has the greatest level of intensity and discussion, but there are so many other opportunities in the mining sector.

Forestry: As you know and I'm sure you'll understand, there's also a myriad of reasons why that became extremely challenging in a number of ways. But we've been working closely with them as well, and there are some good-news stories. Certainly I used the example of Terrace Bay Pulp earlier—the grand reopening yesterday.

I think it's important to note that there is a tremendous sense of optimism in northern Ontario, and our government has played a very significant role in bringing about that level of excitement, understanding what the challenges are and being able to help move some of them forward in a very significant way.

**Mr. Randy Hillier:** I had a number of people tell me that they should have brought eggs and tomatoes to that conference, and that's why they were excited.

**The Chair (Mr. Garfield Dunlop):** Okay, that concludes our time today. Thank you very much, everyone. As long as we can start at a decent time after routine proceedings tomorrow, we should be able to clean everything up by 6 tomorrow afternoon.



I thank the minister for being here today again, and all the staff from the Ministry of Northern Development, Mines and Forestry, and the committee as well.

With that, the meeting is adjourned until tomorrow at 3:45 or after routine proceedings.

*The committee adjourned at 1800.*







## CONTENTS

Tuesday 5 October 2010

|  |       |
|--|-------|
| Ministry of Northern Development, Mines and Forestry ..... | E-235 |
| Hon. Michael Gravelle                                      |       |
| Mr. David O'Toole  |       |
| Ms. Catherine Wyatt  |       |
| Mr. Bill Thornton  |       |
| Mr. Don Ignacy   |       |

### STANDING COMMITTEE ON ESTIMATES

#### **Chair / Président**

Mr. Garfield Dunlop (Simcoe North / Simcoe-Nord PC)

#### **Vice-Chair / Vice-Président**

Mr. Robert Bailey (Sarnia–Lambton PC)

Mr. Robert Bailey (Sarnia–Lambton PC)

Mr. Gilles Bisson (Timmins–James Bay / Timmins–Baie James ND)

Mr. Jim Brownell (Stormont–Dundas–South Glengarry L)

Mr. Kim Craitor (Niagara Falls L)

Mr. Bob Delaney (Mississauga–Streetsville L)

Mr. Garfield Dunlop (Simcoe North / Simcoe-Nord PC)

Mr. Phil McNeely (Ottawa–Orléans L)

Mr. John O'Toole (Durham PC)

Mrs. Maria Van Bommel (Lambton–Kent–Middlesex L)

#### **Substitutions / Membres remplaçants**

Mr. Randy Hillier (Lanark–Frontenac–Lennox and Addington PC)

Mr. Rick Johnson (Haliburton–Kawartha Lakes–Brock L)

#### **Clerk pro tem / Greffière par intérim**

Ms. Sylwia Przewdziecki

#### **Staff / Personnel**

Ms. Anne Marzalik, research officer,  
Legislative Research Service



2014  
C26  
E77



E-14

E-14

ISSN 1181-6465

## Legislative Assembly of Ontario

Second Session, 39<sup>th</sup> Parliament

## Assemblée législative de l'Ontario

Deuxième session, 39<sup>e</sup> législature

# Official Report of Debates (Hansard)

Wednesday 6 October 2010

# Journal des débats (Hansard)

Mercredi 6 octobre 2010

## Standing Committee on Estimates

Ministry of Northern Development,  
Mines and Forestry

## Comité permanent des budgets des dépenses

Ministère du Développement  
du Nord, des Mines et des Forêts

Chair: Garfield Dunlop  
Clerk: Douglas Arnott

Président : Garfield Dunlop  
Greffier: Douglas Arnott

### **Hansard on the Internet**

Hansard and other documents of the Legislative Assembly can be on your personal computer within hours after each sitting. The address is:

<http://www.ontla.on.ca/>

### **Index inquiries**

Reference to a cumulative index of previous issues may be obtained by calling the Hansard Reporting Service indexing staff at 416-325-7410 or 325-3708.

### **Le Journal des débats sur Internet**

L'adresse pour faire paraître sur votre ordinateur personnel le Journal et d'autres documents de l'Assemblée législative en quelques heures seulement après la séance est :

### **Renseignements sur l'index**

Adressez vos questions portant sur des numéros précédents du Journal des débats au personnel de l'index, qui vous fourniront des références aux pages dans l'index cumulatif, en composant le 416-325-7410 ou le 325-3708.

---

Hansard Reporting and Interpretation Services  
Room 500, West Wing, Legislative Building  
111 Wellesley Street West, Queen's Park  
Toronto ON M7A 1A2  
Telephone 416-325-7400; fax 416-325-7430  
Published by the Legislative Assembly of Ontario



Service du Journal des débats et d'interprétation  
Salle 500, aile ouest, Édifice du Parlement  
111, rue Wellesley ouest, Queen's Park  
Toronto ON M7A 1A2  
Téléphone, 416-325-7400; télécopieur, 416-325-7430  
Publié par l'Assemblée législative de l'Ontario



## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
ESTIMATESCOMITÉ PERMANENT DES  
BUDGETS DES DÉPENSES

Wednesday 6 October 2010

Mercredi 6 octobre 2010

*The committee met at 1603 in room 151.*MINISTRY OF NORTHERN  
DEVELOPMENT, MINES AND FORESTRY

**The Vice-Chair (Mr. Robert Bailey):** Order. We are now resuming consideration of the estimates of the Ministry of Northern Development, Mines and Forestry, vote 2201. There is a total of two hours and six minutes remaining. When the committee was adjourned, the official opposition had completed a round of questioning. I now recognize the third party. You have up to 20 minutes, Mr. Bisson.

**M. Gilles Bisson:** C'est un plaisir d'être ici avec vous encore, monsieur le Ministre—une autre journée. C'est la journée au paradis.

Écoutez, juste pour finir avec la question de la communauté d'Opasatika, comme on en avait parlé la journée précédente, notre préfet, M. Nolet, et son conseil avaient appliqué, à travers une compagnie qui était intéressée à faire un projet de biomasse à Opasatika, pour le bois. Ils l'avaient fait à travers ce qu'on appelait dans le temps une « business-to-business relationship », qui est une négociation avec les compagnies qui ont déjà le bois.

Comme vous le savez, ils ont eu l'occasion d'avoir une entente avec Hearst FMA, qui a dit : « Oui, on est préparé à vous donner un certain montant de bois. » Mais ce qui est arrivé, c'est qu'avec le nouveau processus que vous avez eu pour les requêtes pour propositions—ou « requests for proposals »—le bois dans cette particulière entente a été repris.

La question que j'ai demandée à Bill, avant de partir l'autre jour, était : « Pourquoi est-ce qu'on n'a pas exclu le bois qui était déjà dans l'entente avec Hearst FMA du nouveau bois dont on parle pour être capable de donner des allocations? » Cela n'aurait pas été plus facile de dire : « On va accepter les négociations qui sont là, qui ont donné le bois, pendant une période de 12, 14 ou 16 mois pour l'applicant d'aller de l'avant avec le projet, sinon le bois est repris? » Je ne pense pas qu'on a eu une réponse à la question—pour faire sûr qu'on a une réponse à cette question-là.

Bill? Unless the minister wants to answer.

**Hon. Michael Gravelle:** Thank you very much. I appreciate the question, and it is, in essence, a follow-up from our discussion yesterday. Certainly, we are very pleased about moving forward on the wood supply

competition. We think this is going to be one of the key ways we have, certainly in the short term, to putting our wood back to work in the province of Ontario. As you know, we did identify somewhere pretty close, ultimately, to about 10 million cubic metres of wood that was available.

You're asking specifics, I realize, about Opasatika. I do have with me today at the table Bill Thornton, who's our assistant deputy minister on the forestry side, who's obviously very involved.

One of the challenges for me in terms of discussions related to the wood supply competition is that I am, I think, for all the understood appropriate reasons, not able to talk about specific applications that are in place. It's very important that this process be done in an absolutely fair manner. In fact, this is being conducted under the watchful eye of the Fairness Commissioner.

**Mr. Gilles Bisson:** I'm going to come to those questions about what's happening now and what's going on with stage two later, but my specific question is—and I'm going to repeat it just to make sure we're clear—those who went out, such as the case with Opasatika, and negotiated a business-to-business agreement with another SFL holder, such as Hearst FMA, why didn't we just say under this new process that you've established that that wood that used to be in Hearst FMAs—they've agreed to give to the proponents of Opasatika an opportunity to put their project together and say, "Okay, we're not going to take that wood and put it in the RFP process for a period of 12, 14 or 16 months" as a deadline to show that, in fact, they're able to go forward with their project. Why didn't we have some way of being able to protect the wood that was negotiated? That's my question.

**Hon. Michael Gravelle:** I will ask Mr. Thornton to respond, if I may.

**Mr. Bill Thornton:** Thank you, Mr. Bisson. I did follow up to find out a bit more of this after we spoke yesterday. You are correct. There were some discussions that took place between a particular business interest to try to make use of, as I understand it, some biomass material that could be put to a particular business need. You're also correct in stating that we have encouraged the proponents, in those instances, to speak to the parties that hold the timber licences to try to do what we have described as a business-to-business deal.

In that particular instance, it hadn't reached a sufficient point of certainty for us to determine that there was

a deal there. I think there were still some conditions to have been met: No licence, for example, had been issued. So we did have to make a judgment call there, Mr. Bisson, because as you know, the purpose of this competition was to put wood to work and to make available to other parties wood that currently wasn't being consumed.

1610

We do have to stress here, though, that parties involved in those business-to-business relationships which had not reached conclusion were invited and had the ability to participate in that competitive process. I can't speak to the specifics of an application, but I want to leave you with the message that the opportunity wasn't denied them.

**Mr. Gilles Bisson:** Just for the record, I fully support, and I have been pushing for years, that if wood is not being used by an FSL holder, it should be made available through the crown. I've always maintained that, and I think that's what we need to do.

It's a bit of a chicken-and-egg situation. You understand the process far more than I do. If I get into a business-to-business relationship, as these people did with Hearst FMA, and they get an agreement and a letter saying, "Yes, in fact, we're going to give you access to this wood for X number of years etc.," there's a whole bunch of steps they have to go through after that—mill operating licences etc.—before they're in a position to finally put shovel to the ground with the new mill. That takes, as you well know, 12, 14, 16 months to happen. They end up being caught in the process. My question is, why didn't we have allowances for that? I understand the idea, from a policy perspective, that if the wood is not being used, then put it into an RFP. But clearly, in this case, there was somebody who was interested. They had made an agreement with Hearst FMA and in fact were working toward getting all of the licences and permits necessary to put shovel to the ground.

So why didn't we, in some way, have the policy of, "Okay, if anybody has an agreement with somebody, if we figure it takes 12, 14, 16 months to go through the process, here's how much time you've got to go through it, and if you haven't, it goes into the RFP"? Why didn't we do that?

**Mr. Bill Thornton:** It comes back to the substance of the agreement and how mature you believe that business arrangement is. Having reviewed the situation—because I know my staff interacted with you on this particular issue—the determination was made that it just hadn't reached a sufficient level of certainty.

I don't want to trivialize your concern, because it's a legitimate one. I want you also, though, to realize that the opportunity has not been lost to the proponent. They have the opportunity to participate in the wood competition.

**Mr. Gilles Bisson:** The only problem, as you well know, is the position they're now in: They're competing with everybody else yet again.

**Mr. Bill Thornton:** A fair point.

**Mr. Gilles Bisson:** They've spent a lot of money to get to this point. How would you feel, as the investor, if

you'd spent hundreds of thousands of dollars to get you to the point of actually getting an agreement with Hearst FMA and then had to be put back into the queue right at the beginning with everybody else? It's a bit unfair.

I'll just leave it at this: Again, I understand and I agree that we need to make unutilized wood available. That's not my argument. My argument is that if somebody had signed a commercial agreement with an SFL holder, we should in the future, if we ever end up in this situation again, recognize that a fair amount of money and time was spent on the part of those parties to get to an agreement, and say, "Okay, there is a bit of grandfathering"—I'm not sure if it's a grandfathering clause or some sort of clause that says, "We know it's going to take you 12 to 16 months from the time of the commercial agreement to being refused or accepted, to putting shovel in the ground"—that that be part of what is allowed, and at the end of that, if they haven't been able to raise the financing, or they couldn't get their licence because the project wasn't strong enough, or environmentally it didn't make any sense, then the wood is put back into the process.

I've just got to say, from the perspective of the community of Opasatika—their economic development people and the company—it was a pretty disappointing process, to say the least. I'd just put that on the record.

Let's move to Smooth Rock Falls. Minister, you knew I was going to ask you about Smooth Rock Falls. As a matter of fact, you tried to pre-empt the question yesterday.

**Hon. Michael Gravelle:** I know what you're referring to.

**Mr. Gilles Bisson:** Exactly. Just for members of the committee, by way of background: Smooth Rock Falls essentially had one employer, which was Tembec, the old Abitibi pulp mill. Tembec, the new owner that operated it for some years, decided—and it was a business decision; whether you like it or not is beside the point—to shut the place down. As a result of that, everybody's been out of a job ever since.

The government of the day, being McGuinty's, when the mill was shut down, said, "All right, bring us your proposals. If you've got somebody else who's a successor employer or somebody who wants to start a new business, come and talk to us."

The problem we have is the same problem we have in Opasatika but a bit different; that is, who controls the wood? It is my position, I have always believed, and I know this to be the case, that the current sustainable forestry development act gives us the authority, if a company is not using wood, to take it back.

I guess the first question I have is: As these companies were shutting down operations, as we saw with Tembec with the operations in Opasatika, Smooth Rock Falls, Timmins and others, if they were permanently closing down those mills, why did the crown not take back the wood under the terms of the sustainable forestry development act?

**Mr. Bill Thornton:** Again, thank you for the question. Let me begin by saying that, like you, I share in the



concern for the community of Smooth Rock Falls. I know what the loss of a pulp mill has meant to a small town like that. It has been tragic by any measure.

This issue really comes down to the nature of our timber licensing system. In the cases that you've described, both with the closure of the former sawmill in Opasatika and the pulp mill in Smooth Rock Falls, the timber was licensed, for the most part, to Tembec. When we looked at that situation, as was explained to us by the company, which we agreed with, their issue was really making use of that wood in different facilities that they owned. If I go back to the example of an Opasatika sawmill—you appreciate that Opasatika is a small community between Hearst and Kap. On either side of Opasatika, for example, was another Tembec sawmill—one in Hearst and one in Kapuskasing. There was a request by the company to shift some of that wood supply to make better those operations in two other communities. It was a negative for Opasatika, no question about it, but a positive for two other communities. Likewise, the same rationalization of reallocation of fibre took place when wood was no longer flowing to the Smooth Rock Falls pulp mill.

**Mr. Gilles Bisson:** But in fairness to that argument, Tembec in that area operates a sawmill in Hearst, a sawmill in Opasatika, a stud mill and a paper mill in Kapuskasing, a pulp mill in Smooth Rock Falls, a sawmill in Cochrane, a sawmill in Timmins and a sawmill in Kirkland Lake. They've shut down over half their operations. They haven't increased their production in any of the other facilities. The overall capacity to produce what's left standing—all that's left standing are Hearst, Kap and Cochrane. Those are the only ones that are running out of the entire operation that was there before.

If it was a case where they're actually using the wood—in other words, the full allocation of timber, the allowable cut is being cut and we're producing it into something—I wouldn't like that because of quite a different set of issues, but I would understand that your argument holds water. But in this case, they haven't. Let's do the math. The Hearst mill was—what?—800,000 cubic metres a year, maybe? How much would Hearst be?

**Mr. Bill Thornton:** Let's go back and take a big-picture view here, because—

**Mr. Gilles Bisson:** But you follow what I'm saying?

**Mr. Bill Thornton:** I understand your point, and let me address it. There are two big pictures here. One is, across all of the management units in question in this example, timber that's licensed to the Tembec organization—you have to appreciate that over time we're seeing a decline in the allowable harvest level. That's a function of the age of the forest and its inability to provide the same amount of fibre going forward as it has in the past—

**Mr. Gilles Bisson:** But we're nowhere near cutting the allowable cut.

**Mr. Bill Thornton:** That takes me to my second point. My second point is, you can't judge that at this point in

time, when we are at absolutely record lows in terms of demand for sawmill products and the market that's in such complete disarray.

**Mr. Gilles Bisson:** But with all respect—I have great respect for what you do—my point is, that's a whole different argument in regard to what's happening with the allowable cut. My point is, if a company like Tembec had this much wood—I'm just using a number; in a power of 100 they had this much wood—and all of a sudden they only need this much wood, and we give them a licence and allow them to keep all of the wood they had before, there's a whole bunch of allowable cut that's not being cut. Why would we keep it with them?

**Mr. Bill Thornton:** Because the situation is that there is less timber, in an absolute sense, to be harvested there and so the company is reallocating that among its existing manufacturing capacity. It has the capacity to process all that wood.

1620

I take your point that at this time, that capacity isn't at full utilization. That's very obvious. We're seeing sawmills close throughout the province. That's a function of a market in decline, the US housing market at record lows, and a very uncertain pulp and paper market.

I think that when normal times resume—if we can use that term—when we see a resumption in demand, you will see that the company does use the allowable harvest in the facilities that it has.

**Mr. Gilles Bisson:** But the problem is that you leave them in charge of all of the wood. My point is, in a competitive environment, you're better off to have more players, in my view, competing for uses of the wood. For example, in the case of Smooth Rock Falls, they have a quite different vision about the utilization of the wood in Smooth Rock Falls than would Tembec in Cochrane.

**Mr. Bill Thornton:** Fair point.

**Mr. Gilles Bisson:** That's not a bad thing. Who knows? Maybe somebody has another use. Maybe somebody says, "I have a need for a lesser amount of timber; I want to use it to make window sashes" or hardwood flooring or whatever it might be. But you'll never get there unless you take away the wood that is not being used and say, "Here is an RFP," as you've started to do with some of the unutilized wood that we already had control of, because effectively you have not gone and got a whole bunch of wood off the old SFLs. Anyway, that's a whole other argument. But my point is, we're not allowing entrepreneurs to go forward and say, "I've got an idea. If you give me 50,000 cubic metres a year, I can put a plant in Cochrane or Kirkland Lake or Timmins that builds hardwood floors."

You can't do that, so why would you keep the wood with Tembec? And no disrespect to Tembec. I work with them, as you do, on a daily basis—well, not a daily basis, but a weekly basis. They're a great company trying to do some good things, but you can't allow one person to control the wood.

**The Vice-Chair (Mr. Robert Bailey):** You have a little over three minutes, Mr. Bisson.

**Mr. Bill Thornton:** On that point, I think the minister and I would agree with you. We would love to see reform of our tenure system. I think those are legitimate concerns.

**Mr. Gilles Bisson:** But my point is, we already have the power under the act to take that wood back. Why have we not?

**Mr. Bill Thornton:** Well, that power that you suggest is there is not quite as clear as you suggest.

**Mr. Gilles Bisson:** You're darn right it's clear. I was there when we drafted it.

**Mr. Bill Thornton:** But there are licences—

**Mr. Gilles Bisson:** I was part of the committee that drafted the bill. I know what's in it.

**Mr. Bill Thornton:** You need to consider the language of a timber licence and the company's right to use the wood that's allocated to them.

I understand and agree with your intention; that is to make wood available when it's not being used by one party. But that needs to be considered from a legal perspective within the context of what's permitted by the terms of the timber licence to the company, in this case Tembec.

**Hon. Michael Gravelle:** Certainly there's no question that this discussion really does explain why we agree that looking at modernization or reform of the tenure system is something that clearly is geared towards a number of things, but obviously we want to, in essence, level the playing field. Particularly, there's an opportunity for new entrants who have a good business idea and have got themselves in a position to do that.

The tenure reform is something that we're continuing to work very seriously on. We have every intention, quite frankly, of testing the principles of tenure reform in a couple of models. We're looking at the northwest and the northeast, and we're moving forward on that, but the whole discussion, to some degree, is one of the reasons why we've moved in that direction. Again, while we may not completely agree on everything related to the wood supply competition, in essence, you agree with finding ways to free up wood that is not being used, and obviously, I do believe that our looking at the reform of the tenure system is the right decision for us to make. There's no doubt.

I'm not so sure that any government would be taking this approach if things were going along swimmingly, but—

**Mr. Gilles Bisson:** Well, no, because then they'd be using the wood.

**Hon. Michael Gravelle:** Well, that's correct. They were using the wood. What I think one of our goals is—certainly Bill can speak to this as well—this has always been simply known as a cyclical industry, and we want to take that out of it to some degree. I think tenure reform may give us an opportunity to do that. This is going to be a relatively lengthy process, which is why it's important for us to test those principles in some pilots. But I'm very familiar with both issues you are bringing up.

I guess our time is up.

**Mr. Gilles Bisson:** I'm out of time, but I just want to table with the clerk a number of questions that we have for the ministry from NDP research, if I can give that to the clerk rather than reading through all these questions.

**The Vice-Chair (Mr. Robert Bailey):** Okay; so tabled.

The minister's time is up now. We'll move to the government party. Ms. Van Bommel.

**Mrs. Maria Van Bommel:** Thank you, Minister.

Whenever I have the opportunity to travel in the north, I always find it just breathtaking. You never go often enough, and every time you're there it's just amazing. This summer again we had the opportunity to pull our fifth wheel through the north, from Sault Ste. Marie through to Thunder Bay—as part of the trip, actually; it was a longer trip than that. But as we travelled with friends of ours who are also pulling their fifth wheels, one thing the conversation becomes part of is the whole condition of the roads, because when you've got a fifth wheel you're always worried about what's going to fall out or get bumped out in the back. We were talking about the fact that in the north, the winters are definitely harsher than they are in my area of the province, and the condition of the roads generally. I just wanted to know what your ministry does about the condition of the roads, in terms of maintenance of the highways, so that things are transported the way they should be.

**Hon. Michael Gravelle:** I appreciate the question. It's always great having you up north, of course, and you're welcome anytime. We all love it up there very, very much, but there's no doubt that one of the—we mentioned this a couple of times, but it's always worth mentioning: Northern Ontario is essentially, I think, 87% of the land mass in the province of Ontario. We're talking about a northern highway system that is very close to 11,000 kilometres across, a very vast landscape, and it truly is an economic and a social lifeline that connects communities across the north. I represent Thunder Bay–Superior North. I'm just one of 11 northern Ontario members, and almost all of us have very large ridings. The road system is incredibly important.

We are certainly very pleased to have the responsibility for the northern highways program and couldn't be more excited about the fact that the McGuinty government has once again increased the funding available to the northern highways program to record levels. The construction that's going on this particular construction season is remarkable, but the great thing is that it creates and supports an enormous number—thousands and thousands—of jobs over the next few years. So that's an important component as well, particularly for an area that has, obviously, some economic challenges.

By making these long-term, sustained investments, our government is certainly helping to spur economic development, but perhaps, I think most importantly, it is improving highway safety and the quality of life for northerners. Because it is true: Frequently it's 100 or more kilometres between communities. People are



travelling back and forth in order to get to work, and it's very important that we actually do that.

In this year's budget, we received an allocation of \$773 million. That was a 20% increase over the record budget of the year before, which I think was \$648 million. There are a number of elements to this that I want to be able to tell you about, certainly in terms of those total dollars that are being spent. About \$327 million is for system expansion, as it's more formally called—I call it four-laning—which is really important in northern Ontario, and some very important safety initiative contracts as well. Certainly, of the remaining dollars that are allocated, about \$446 million has been allocated for rehabilitation, which is always very important. That certainly includes additional funding for bridges, which are really important.

The four-laning initiatives in northern Ontario are incredibly important, certainly to those of us who have advocated for them for years. That includes my predecessor in this ministry, Minister Bartolucci. He did some incredible work in terms of Highway 69 and Highway 11. Minister Smith obviously cares a great deal about the work being done on Highway 11 as well, the four-laning. So that work is continuing and those commitments are in place, and I'm very pleased that work has now begun on the four-laning of Highway 11/17 between Thunder Bay and Nipigon, which is truly a piece of the TransCanada Highway, where there is absolutely no alternate route whatsoever. So this work is something that is incredibly important.

1630

Since the McGuinty government came into office in 2003, we have rehabilitated 2,560 kilometres of highway, 185 bridges—the work just goes on—and we have, in terms of the four-laning, constructed I think about 105 kilometres of new four-lane highway, along with 115 new bridges. I think there is an understanding that bridge work is absolutely vital. A bridge, like anything else, has a lifespan to it, and obviously, in terms of safety, it's incredibly important that it gets fixed up. Certainly new bridges need to be built. They are complicated and difficult projects, but they're very important.

In terms of specific contracts, since 2003, 10 contracts have been initiated on Highway 11 south of North Bay, with a value of about \$540 million. What I can tell you is that the remaining 41 kilometres that are needed to complete the actual four-laning are now under construction. In terms of Highway 69 south of Sudbury there have been 11 contracts, which have totalled over \$580 million since 2003. I know that 20 kilometres of new four-lane highway were open to traffic in the fall of 2009, and construction is under way on 30 more kilometres of that section. Certainly the engineering and the property acquisition are proceeding over the remaining 102 kilometres.

One other piece that we actually accelerated the completion of was the four-laning of Highway 17 east of Sault Ste. Marie. We managed to actually get that done a year earlier, in 2007, rather than the estimated time we expected of 2008.

We are pleased about the other work that has been done. In Thunder Bay, there was the extension of what we call the Shabagua Expressway or the Shabagua Highway. That was completed in August 2007. That's the beginning of a much longer stretch that's done.

Safety is always the priority; there's no question. I was first elected in 1995, and I must admit that highway improvements and highway safety were absolute priorities for me. I recall working with the minister at the time, Al Palladini, when we were fighting to get warning lights along the Thunder Bay Expressway and were successful. We were able to get warning lights, which made a real difference in terms of people actually facing actual traffic lights along the Thunder Bay Expressway, which basically works its way around Thunder Bay. That was a tremendous safety initiative, and I'm very pleased to say that since the time that warning light was put in place, there has not been a major accident at that intersection.

The safety initiative could not be more important. In fact, in 2007-08, the provincial budgets were able to get some extra funding from Kenora to White River. For those of you who don't know northern Ontario, that's a really long stretch of highway. Kenora is very much in the western-northwest part of Ontario, probably about 40 kilometres from the Manitoba border. Kenora is about 500 kilometres to Thunder Bay; White River is probably 400 kilometres to Thunder Bay—so that's a 900-kilometre stretch. Getting those extra dollars for that was really important. We also got some significant additional safety initiative dollars along Highway 17 east and west of North Bay and on Highway 11 north of New Liskeard.

In terms of those specific safety initiatives, they were in the area of about \$190 million over five years. That made a big difference. This particular program was reconfirmed once again in the 2010 provincial budget.

There's also a piece of land that certainly one of my colleagues in northwestern Ontario would be happy about, which is the major rehabilitation of the Noden Causeway. This is basically the causeway that connected Fort Frances with the provincial highway system many, many years ago. There was a very real need to rehabilitate this particular causeway. Fort Frances is one of the most beautiful communities in northwestern Ontario. This is an extraordinarily important link to the community, and we were able to get \$79 million in funding over five years for a major rehabilitation. That is going on as we speak.

We've got major investments in terms of the widening to four lanes of Highway 69 to Sudbury, which is incredibly important. Again, it's one where the four lanes will be so much safer in terms of driving—and the volumes are increasing all the time. We are on a very aggressive schedule in terms of completion.

Also, Highway 11 to North Bay: The actual Highway 11 to North Bay four-laning we expect to be completed by 2012. That's a huge project. I am pretty excited about the fact that we are beginning the four-laning between Thunder Bay and Nipigon this construction season. In fact, there were two contracts that were recently let out;

two tenders were announced for a section where Terry Fox lookout is. If you've been to Thunder Bay, one knows that's where Terry Fox, of course, ended his extraordinary historic run, I guess, 30 years ago—somewhere just outside Thunder Bay, the Terry Fox monument.

The section between Hodder Avenue and Highway 527, or Spruce River Road—they're widening that to four lanes. There'll be a special new entrance built into the Terry Fox lookout. That is such an extraordinarily important spot. We want to make it safer as well. That \$41-million contract has been let.

A week or so ago, another contract for about 14 more kilometres of four-laning between Mackenzie Station Road and Birch Beach, again on the road between Thunder Bay and Nipigon—that award was announced. Indeed, work is beginning on that as well. I'm pretty excited about that. That's another piece of good news in terms of the McGuinty government's very, very strong commitment to the northern highways program.

In terms of how the highway system actually works, we are a huge part of the world. If you look at the northwest and the northeast, the northwest contains about 40% of the northern highway system—obviously, 60% is in the northeast. The northwest contains about 31% of the north's population—69% in the northeast—and about 27% of the northern traffic volume. So there are differences. When we look at northern Ontario, you have your five major urban centres: Thunder Bay in the northwest, Sault Ste. Marie, Sudbury, Timmins and North Bay in northeastern Ontario. All of these are crucial centres in terms of being regional centres, but there are, obviously, many other smaller communities that we need to access. Certainly, this is a real commitment of ours.

In terms of future commitments, we are looking at approval to construct some more contracts between Thunder Bay and Nipigon beginning in 2011-12. Those announcements have been made and they include the twinning of the Nipigon River Bridge. The Nipigon River Bridge is amazing because it truly is pretty much in the centre of the country. It's become important for us to recognize that the twinning of that bridge needs to be done. That's a lot of work, but that's going to be happening in 2011-12.

Certainly, we are looking forward to being able to link up the four-laning that will be completed by—there's a section between Spruce River Road or Highway 527 and Mackenzie Station Road which will also be four-laned, which will link up the contracts that I mentioned earlier. So there will be, relatively soon, a continuous four-lane stretch between Thunder Bay and Birch Beach, about 33 kilometres out. At the other end, between Nipigon and Red Rock, there will be 12 kilometres that will be four-laned from Red Rock to just west of Nipigon. Those are real priorities for us, and there's no doubt that this is something that we take very, very seriously.

There is no doubt that our ministry takes the responsibilities of having the northern highways budget as a part of our responsibilities. Mr. Hillier asked a question, I think, in one of our first sessions about how the responsi-

bilities break up. We were able to get responses to him, and I hope they were helpful to him. In terms of the history of how this worked out, it was in December, just after our government was entering office in 2003. There was a direction for the Ministry of Transportation along with our Ministry of Northern Development and Mines at the time, and the Ministry of Public Infrastructure Renewal, to develop a northern highway strategy. It was very crucial that indeed we played a very significant role in developing that strategy.

#### 1640

That document itself was released by the Ministry of Transportation in 2005, which covered the five-year period from 2005-06 to 2009-10, and that basically did contain a very detailed listing and maps of planned rehabilitation and expansion contracts as well as a listing of the contracts scheduled over the period. So this continues to be a rolling five-year plan. These listings have been updated in subsequent years. They are produced on an annual basis and described as northern highways program reports. They are a public record of our ministry commitments and our accomplishments.

There is discussion always, when you're talking about the highway system, about the role that the federal government can play and perhaps should play. We obviously are keen to get whatever support we can from the federal government to improve the highway system.

There was an agreement to implement the Canada-Ontario strategic highway infrastructure program, which was signed by the Ministry of Transportation and Transport Canada. That was signed in 2003 as well. Through that agreement, the two levels of government cost-shared construction over a five-year period on a number of highway contracts that were located on the TransCanada Highway.

The ones that we were able to successfully cost-share on in Ontario included a new four-lane construction of—I think it was about seven kilometres east of Sault Ste. Marie from the Garden River First Nation to Bar River road. There was the new two-lane alignment for Highway 11/17 that I mentioned earlier, which is the Thunder Bay Expressway extension of the Shabagua Expressway, and there's more work being done to link all that up.

Another place where the cost-sharing agreement in terms of the federal government and the provincial government was able to do some work was on some four-lane construction on Highway 69 in the new alignment south to Sudbury. There was another aspect of Highway 69 where indeed that was done.

At the time of the agreement, the federal and provincial governments were sharing the contract costs on a 50-50 basis. This obviously enabled us to move ahead with some of our projects a little more quickly because of those completions. Certainly what has happened as a result of some of the costs being a little more than we thought is that the federal share is no longer actually at 50%, so those are discussions we want to have in the future.

One of the exciting events was, there has been a long-held desire for very good reason to four-lane the highway



between Kenora and the Manitoba border. I think it is about a 40-kilometre stretch. It was in 2009 that I was able to be in Kenora for an announcement with Premier McGuinty and Prime Minister Harper to announce \$100 million for a 15-kilometre section of the 40 kilometres between Kenora and the Manitoba border. That project is moving forward. Again, this is an important stretch of highway.

Safety is always the number one reason for highway improvements, and that's not to suggest that it is not a priority in the entire province, because indeed it is. Obviously in terms of volumes of traffic, there aren't the same volumes of traffic in northern Ontario, but one can argue that to some degree actually it poses very different safety issues when you're driving along a highway. But where the volume is there—and that's Thunder Bay-Nipigon, Highway 69 and Highway 11 in terms of south of North Bay and the stretch between Kenora and the Manitoba border—we are very keen to move forward.

I'm extremely proud of the record of the McGuinty government and the unprecedented levels of support—\$773 million is tremendous. We are making good use of those dollars in every way, moving forward on projects that mean a great deal to people in northern Ontario.

I'm sorry I didn't get a chance to finish up in this session, but maybe I'll get an opportunity in the future.

**The Vice-Chair (Mr. Robert Bailey):** Thank you, Minister. You're right on the button. Now we'll start on the next round. I think we've got enough time for 20 minutes each. We'll try—

**Mr. Randy Hillier:** I didn't know if the minister was ever going to come up for air there, but he did. That must be just about a record.

Minister, I want to just go back to these responses that you gave the other day. First off, did you actually read the responses that your ministry prepared?

**Hon. Michael Gravelle:** Absolutely.

**Mr. Randy Hillier:** You did. Okay.

We'll start with my question about the greater productivity levels in forestry in Scandinavian countries as compared to Ontario. We do know that they're up to 10 times more productive in their harvesting of wood than we are here in Ontario. One of the reasons your ministry has provided for why they are more productive than we are, and they harvest more fibre than we do—the fourth bullet says, “Scandinavian countries also recover more fibre from their forests. For example, they often extract tree stumps from the ground following logging operations. We don't do that in Ontario, nor do we have the environmental approvals.” Because they take their stumps out—I hope this question doesn't stump you, Minister—and I guess we haven't got Monte Hummel's approval to take the stumps out in Ontario, we are at a disadvantage compared to Scandinavian countries. When I read this, I thought, “Now I understand why your staff refers to ministry explanations as resistance and baffle-gab.” Because they take their stumps out, they are far more productive than we are, and we don't have environmental approval to do so. Is that true?

**Hon. Michael Gravelle:** I am going to ask Bill Thornton, who is obviously very expert on this. But let me at least begin a response. There is a variety of reasons. There are also other reasons. One of the other examples is—

**Mr. Randy Hillier:** This one was important enough to put in this—

**Hon. Michael Gravelle:** It's absolutely something that we want to talk to you about, but it's also not uncommon for fertilizers to be applied—

**Mr. Randy Hillier:** But I'm just talking about the stumps. Let's keep to the stumps.

**Hon. Michael Gravelle:** Okay, I'm going to ask Bill to respond because he can do an excellent job of that. I know you asked a question yesterday about our spending related to general operations, and we will be providing you with a response. We haven't got it ready yet, but we'll try to get it to you—

**Mr. Randy Hillier:** It won't be one of those baffle-gab responses, I'm confident.

**Hon. Michael Gravelle:** None of them are. This is a discussion that we want to have. I want to ask Bill to respond because Bill can help us out here.

**Mr. Bill Thornton:** Yes. I'm pleased to respond, Mr. Hillier. You posed a question as to why it appears to you that—

**Mr. Randy Hillier:** Well, I guess the real question is: You're suggesting that you need environmental approval to take the stumps out?

**Mr. Bill Thornton:** Yes. And that is the case. I'll explain—

**Mr. Randy Hillier:** Who would you get that environmental approval from?

**Mr. Bill Thornton:** Currently in the province, the forest management activities that are allowed to be undertaken are undertaken in accordance with approvals through the Environmental Assessment Act. You actually have to follow the Environmental Assessment Act.

**Mr. Randy Hillier:** But who would give the approval?

**Mr. Bill Thornton:** The Ministry of the Environment would have to do that.

My point is, some of the activities that are permitted in other countries aren't here: fertilization would be another example; drainage, which you sometimes see in Scandinavian countries; removal of stumps and so on. Our only point was to try to say that while there are similar boreal forests in northern Ontario versus Scandinavia, and similar species—not identical tree species—they do grow differently in terms of the tree species. There is a difference in terms of the inputs into forestry like fertilization and others, and there are differences on the extraction side in terms of being able to remove stumps.

**Mr. Randy Hillier:** And I guess Monte Hummel over at the Ministry of the Environment won't give you the approval to take the stumps out in northern Ontario?

**Mr. Bill Thornton:** To be fair, when that original environmental assessment took place—there was actually

a very protracted period of time when there were environmental assessment hearings, going back into the late 1980s and early 1990s. It wasn't something that we asked for. At that time, we didn't feel the need to remove stumps to get that small amount of additional volume. We had a large forest resource; it wasn't being fully utilized at the time, so the request was not made. We contemplated requesting authority to use fertilizers, but there are a lot of environmental considerations there in applying fertilizer aerially, as is done in some other jurisdictions.

1650

**Mr. Randy Hillier:** Thank you very much. But again, I have to just say that it is astounding that the Ministry of Northern Development, Mines and Forestry would put this in here and would not be able to make a decision about something as simple as stumps in crown forests and would have to go to another ministry to get approvals for that.

You mentioned in your discussions with Mr. Bisson that there is a decline in the allowable cut that's going on. We know that there has been a market decline, but we're also declining in how much will be allowed to be cut.

Again, in your response, you said that forestry, of course, is now a shared jurisdiction with MNDMF and MNR on the sustainability side. So is the MNR not doing its job, then? Because sustainability means that we continue to sustain a harvest; right? You're now saying that that allowable cut is diminishing. So it's not sustainable, if that is indeed what you're—

**Mr. Bill Thornton:** That's indeed not what I was saying. The calculation of an allowable harvest is a mathematical calculation and it's very dependent on the distribution of the age in your forest because, as you can appreciate, we don't harvest young trees; we harvest old trees. If we were to look at the age profile of Ontario's forests, it's somewhat similar to the age profile of our people: We have a lot of old people; we have fewer younger people. The result of that is, as you go forward in time, you have fewer mature trees to harvest.

When we look to the future and we see the age of the forest that will be reaching a point of maturity when it can be harvested, there's less of that. That's a fundamental driver in terms of the reduced amount of timber that we'll be able to harvest. That's not to say that you won't have anything to harvest—

**Mr. Randy Hillier:** So we're not engaged in sustainable activities, then?

**Mr. Bill Thornton:** No, no. You need to hear the rest of the story. The rest of the story behind that is that a number of our plantations will start to come on stream as a result of silvicultural efforts a number of decades ago, and you'll see a recovery in that harvest level and it will trend back up. But in the near term, we're going to see continued declines in the amount of timber that we can harvest.

**Mr. Randy Hillier:** Let me ask you this. I was very supportive that MNDMF took over forestry—

**Mr. Gilles Bisson:** Well—

**Mr. Randy Hillier:** No, no—but like many others, very disappointed that MNR retained certain elements in the forestry. I want to ask, Minister: How can your ministry be the economic developer and somebody else be the manager of forestry? There are inherent conflicts in that. What are you doing to minimize those conflicts?

**Hon. Michael Gravelle:** I think it's proving to be a pretty good marriage, if I can use that term. Certainly—

**Mr. Randy Hillier:** It's still a honeymoon right at the moment, I guess.

**Hon. Michael Gravelle:** We're all working very hard to make it work, and I think our focus—certainly, when the Premier asked me to take on those additional responsibilities in terms of the business side of forestry, we spent a significant amount of time making sure that we were clear about what the responsibilities were, and that's why we are focusing very much on the business side of the sector. We are fortunate to have people like Mr. Thornton and others within the forestry division who are obviously very experienced and have worked in the forest management system for some time, and they understand what works the best.

For us, the most clear and obvious answer was that we needed to find some way to work to revitalize the forestry economy, which is why we focused specifically on issues such as the wood supply competition, the recognition that, indeed, there was a significant amount of Ontario's crown wood that was not being utilized. There were many instances, some of which have been discussed today, where either communities or businesses were not able to access the wood for a variety of reasons—

**Mr. Randy Hillier:** Let's go on to that: utilized.

**Hon. Michael Gravelle:** The wood supply competition is a good example of something that we recognized would be very clearly one of the responsibilities of our ministry—also, of course, the modernization of the forestry tenure itself.

**Mr. Randy Hillier:** Okay. Well, let's work on this a little bit here now. You have a declining allowable cut. Your deputy says that that is because we're having a lack of mature timber to harvest. But we also see a great number of areas that are being put off limits to forestry, and everybody in north, everybody in forestry, mentioned the word "caribou," of course, and the Endangered Species Act and Blanding's turtle and everything else. How is the Endangered Species Act affecting that declining allowable cut? Is it just your mature forests or is it actually MNR policy in the implementation of the Endangered Species Act?

**Hon. Michael Gravelle:** I'll let Bill respond to that on a technical basis, if he can. But the key, as always, is to find an appropriate balance. Our ministry's priority—I think that's clear in the discussions we've had with you and with everybody here at estimates—is to basically work towards finding a way to help the transformation of the forestry sector and revitalize it. That's why we're focusing on—

**Mr. Randy Hillier:** Well, I think we're transforming it for sure, but I'm not sure if we're—



**Hon. Michael Gravelle:** I don't think even you would argue that indeed we recognize that there's a need to look at the forestry sector in terms of: How can we see some of the new opportunities that are there and how do we make those work? So that's been our focus.

In terms of the issues you're bringing up, it is being challenged—

**Mr. Randy Hillier:** I have no doubt that that's your focus, Minister; I don't know if it's the same focus of everybody else in your government.

On the Endangered Species Act and with MNR implementing it, how is that affecting the allowable cut on the—

**Hon. Michael Gravelle:** Again, it's certainly not our legislation, as you know, but as I say, the key for us is to find a balance—

**Mr. Randy Hillier:** No, but your ministry is charged with economic development on forestry, and I'm asking how this other ministry is affecting the allowable cut with their policies.

**Mr. Bill Thornton:** If I go back to a simple mathematical calculation again, any time you reduce the land base that grows timber, then you reduce the allowable cut.

**Mr. Randy Hillier:** And do you have a number of how much land is off limits under the Endangered Species Act?

**Mr. Bill Thornton:** I don't have that at my fingertips, no.

**Hon. Michael Gravelle:** Again, what I think we're very much focusing on is the available wood that's out there. We need to determine—

**Mr. Randy Hillier:** We know there's lots of wood out there.

**Hon. Michael Gravelle:** When we began our wood supply competition, at the time there were about 11 million cubic metres of wood, and I think it ended up being, as a result of a variety of circumstances, something less than 10 million cubic metres of wood, some merchantable and some unmerchantable.

This is obviously about opening up opportunities for a number—

**Mr. Randy Hillier:** But we're closing off opportunities. With the caribou and with the turtles, we're closing off opportunities, are we not?

**Hon. Michael Gravelle:** But with the wood supply competition, we're opening up opportunities, and that's what we are very, very focused on in terms of the wood supply competition. We had—

**Mr. Randy Hillier:** Well, we're down to about 50% of the harvest that we had in the past on our fibre. Now, of course, some of that is because of market conditions.

**Hon. Michael Gravelle:** In terms of—I'm not sure what you're referring to—how much wood we're actually harvesting?

**Mr. Randy Hillier:** Yes.

**Hon. Michael Gravelle:** What are we at in terms of this year, Bill?

**Mr. Bill Thornton:** You're correct. In terms of traditional harvest levels, if we can assume it's been at 20 million to 22 million cubic metres, last year I think we were just between 10 million and 11 million cubic metres.

**Mr. Gilles Bisson:** I thought you meant still allowable.

**Hon. Michael Gravelle:** That's correct.

**Mr. Randy Hillier:** No, no. We're down significantly. Some of it, without a doubt, is due to market conditions and demand for it.

1700

I've talked to many foresters, and the regulatory burden that is being placed on them to do a cut is just making that timber not economically viable to take out of the bush. By the time they get around the caribou, get around the red-shouldered hawk or get around the turtle, the cost is more than what the cost of the wood is. So the wood stays put. That's why mills in my area and mills everywhere are getting their fibre, getting their lumber from other jurisdictions. We've priced our crown forests out of the marketplace.

**Hon. Michael Gravelle:** Well, I would certainly dispute what you're saying. What I will say is that clearly—I probably should be a little bit careful here in terms of what I'm going to say. When the Premier asked us to take on the responsibility, I think it was important—this is a role of being advocates for the forestry sector which, indeed, we have been. There's no question that there's a very specific role which has focused on economic renewal and revitalization of the forestry sector. I appreciate the opportunity that our ministry has to take on—

**Mr. Randy Hillier:** But you're on a shrinking land base, a contracting land base. That Endangered Species Act and the list of endangered species is a growth area of government. More and more species are being identified. They're expanding; your resource land base is contracting. That's clear.

**Hon. Michael Gravelle:** But the challenge, as always, is to find the appropriate balance. The priority very clearly for our ministry is the revitalization of the forestry sector, to take measures that will allow more of the wood to be harvested. Here we are opening up—

**Mr. Randy Hillier:** But you have no control because that's on the MNR side of the ledger. They are the ones who are shrinking your land base.

**Hon. Michael Gravelle:** Certainly, the Ministry of Natural Resources has its responsibilities, and we're working closely with them. One of the advantages, may I say, of our ministry—

**Mr. Randy Hillier:** I just want this to be clear and honest so everybody understands what's happening to forestry, okay? Our crown forests are shrinking in size, not because the earth is shrinking or because Canada is shrinking; our crown forests are shrinking because of legislation from your government. That's what's happening. The cost to get at our wood is going up and up. It's increasing with all this new legislation.

We can talk about tenure reform, and I think, without a doubt, tenure reform is necessary. But if we don't deal with that fundamental problem of pricing our crown forests out of the marketplace, there will not be any forestry up there.

As we led off last week on this, when I went through New Brunswick, Maine and New Hampshire, all down that St. John River valley, all the mills were still up. We've lost 60 mills here. And it wasn't just because we're unlucky; we lost those mills and we lost those jobs because of policy. Your tenure reform isn't really touching what is at the root of the problem.

**The Vice-Chair (Mr. Robert Bailey):** A minute and a half, Mr. Hillier.

**Hon. Michael Gravelle:** But I think you need to look at other jurisdictions as well in terms of the reality. There's no question—we could go through the story, and again, our ADM Mr. Thornton is probably one of the best to tell the story of what's happened, I guess, since 2003—

**Mr. Randy Hillier:** No, the biggest danger to forestry is the MNR in this province.

**Hon. Michael Gravelle:** There's no question it's been very tough and very devastating to the forestry sector in Ontario in terms of forest products mills that have shut down temporarily, permanently or indefinitely—52, in fact, since 2003. But in British Columbia, we've seen 75 mill closures. In Quebec, we've seen 83 mill closures. I don't want to be simplistic about it, but there are obviously challenges all across the spectrum.

Again, our focus as a ministry, particularly with our new responsibilities—I guess they're no longer new, but they're still relatively new to us—is to find ways to help revitalize the forestry sector. That's what we're doing with our wood supply competition and with our tenure reform and the other measures we're taking.

It's great to be at an opening of a pulp mill, as I was a couple of days ago in Terrace Bay—

**Mr. Randy Hillier:** What's clear is that you guys are picking winners and losers here, and forestry is on the losing side in this government.

**Hon. Michael Gravelle:** We're excited about the measures that we're putting in place to help revitalize the sector.

**The Vice-Chair (Mr. Robert Bailey):** Time's up.

**Hon. Michael Gravelle:** Are we done?

**The Vice-Chair (Mr. Robert Bailey):** Mr. Bisson, from the third party.

**Mr. Gilles Bisson:** Just for the record, I want to say that I think MNR—I'm not as big on being negative towards the MNR as what we heard previously. I think MNR has played, and will play, a useful role in northern Ontario.

Am I happy with the Endangered Species Act? No. That's why I voted against it.

I just want, for the record, to note that I'm not convinced that, at the end of the day, moving the forestry section of MNR into northern development and mines in itself fixes the problem. I think the problems are much

more systemic than that. I think the government did it for their own reasons, and I'm not going to second-guess why.

Just for the record, I think that MNR, over the years, has been a ministry that's been important in northern Ontario. We've got some very competent staff. I've dealt for years with the likes of Dianne Corbett, Bill Greenaway and a whole bunch of other people who have served the communities well and work hard. They don't always give the answer my constituents want. They often do, because they're good people, but not always. If we have problems, I think they're much more systemic than moving them from one ministry to the other can fix. For the record, I wanted to say that.

The other thing I wanted to comment on very quickly was the minister's comments in regard to the Ontario industry. Quebec has lost X amount of mills, BC has lost X amount of mills and we've lost X amount of mills—and we're doing better in comparison. I think the point that Mr. Hillier would make, which is a good one, is that British Columbia is a much bigger player.

But even aside from that, even if Ontario was a player equal in production to British Columbia or Quebec, the issue is that we're not Quebec; we're not British Columbia; we're Ontario, and it's a question of the choices that we make in this province that would make our mills more competitive.

Would there still be shutdowns if we had done everything that was possible to save the mills? Yes, we would still have shutdowns, but I think we'd have far fewer. I think there are some things that we could have done that would have made it easier for some of these operations to stay afloat. There's only so much market, and we understand that. Nobody in this business who knows anything about forestry would expect that you can sell wood into a market that's not there. That's the essential problem that we have.

But we also understand that it's a very competitive market. Our job in Ontario, as legislators and as staff of MNR, or now MNDMF—I can never say that in one full sentence—is to make our industry as competitive as possible, playing our role to assist industries and communities to be as productive as possible. I think there are things that we could have done, but that's for a whole other debate.

I just wanted to follow up on something. I'm probably only going to get one more 20-minute spot. I want to deal with Smooth Rock Falls, but I just wanted to deal with this particular point first. I started raising it by way of questions, trying to get somewhere a little while ago, in regard to the questions I was asking the minister, and Bill a little bit earlier, and that is the issue of the allocation of timber.

The point that I was trying to make earlier is that it is my view that it's a provincial government's responsibility to allocate unutilized wood. I think that the sustainable forestry development act gives us the ability, should we choose, if a mill shuts down, to take the wood back.

One of the things that happens, as has happened as of late—I understand why it was done, and I think there are



some good reasons why it was done, but I have a bit of a problem with it on the policy perspective. I just want to clarify, to make sure that I understand this correctly. In the Canadian boreal forest agreement, essentially Tembec stood outside of the rest of the Ontario industry in order to be part of this agreement. That's their choice as a private company, and I can't fault them for that; that's their own choosing. But they offered up, basically, part of the boreal forest that they have as part of this agreement.

Does that mean to say that at the end of the day some of the unutilized timber that we talked about in fact is being set aside through the Canadian boreal forest agreement to not be used? In other words, has Tembec, in this case, taken away from the allowable cut wood that rightfully belonged to the crown?

**Mr. Bill Thornton:** The short answer is no.

**Mr. Gilles Bisson:** Explain to me why it's no, because it's quite a different view.

**Mr. Bill Thornton:** The Canadian boreal forest agreement, as you point out, is an agreement among a number of environmental groups and a number of forest products companies. There are more in Ontario than just Tembec. AbitibiBowater, for example, is another signatory. By and large, those are members of another national organization called the Forest Products Association of Canada.

1710

But to get to your point, which is that they have identified some areas that they would like to see set aside for the protection of caribou habitat: While that's always their prerogative to identify areas such as that and to work collaboratively with leaders in the environmental community, it doesn't bind the crown to endorse or adopt the recommendations that they put forward.

We are very conscious of the fact that on that landscape are a whole lot of players—not just a forest products company; not just an environmental community with certain interests. There are First Nations communities, there are mining interests, there are recreational interests, and we can go on and on.

The fact that one particular group may come forward with a proposal like that is encouraging in some respects, because it has been an issue that has been debated long and hard among those particular interests—the industry and the environmental community—but it doesn't bind the crown to adopt those decisions. The ultimate responsibility for any land use decision that affects crown lands in Ontario rests with the Ontario government.

**Mr. Gilles Bisson:** The short answer is that they might have, in the short term, protected some of that wood and some of those forests, but in the end it's up to the crown to decide if they're going to agree to whatever terms were agreed upon. It's the view of some that Tembec, by not having given up wood that they don't use and saying that they wanted to be part of this initiative, in effect, is trying to tie up wood that they would have otherwise had to give to the crown if they would have followed my way of doing things, which is that wood not used goes back to the crown. It's a neat way of them keeping competitors out of that forest. That's the view of some, and that's why

I wanted to have that on the record. I'm glad to see that you're saying, in fact, that the crown will do what the crown will do, and we're going to have to do what is right by the people of Ontario, taking into consideration this initiative and others. Okay.

The other thing: I want to get back to Smooth Rock Falls. The case of Smooth Rock Falls, I know the minister knows, as I do, inside out, along with Bill and others that are here in the room. But just for members of the committee to understand and those who might be watching, Smooth Rock Falls lost their only employer. It was a Tembec pulp mill. It's now shut down. In fact, it's not only shut down; they basically demolished it.

**Interjection:** Dismantled.

**Mr. Gilles Bisson:** They dismantled the mill, and it's quite a sight when you drive into the community now. But that's a whole other story.

I used to love the smell of money. I used to go driving into those pulp towns—the minister well knows—and used to smell that money. But that's a whole other story.

Anyway, the long and the short of the story is that they shut down. There was a fair amount of wood that was associated with that mill by way of directives, because the actual licence for that mill, as we all know, some years ago was dealt with. The crown took it back, reallocated it to others, and that mill ended up with residual chips from various operators in the area to provide feed to that mill. But the effect was that they had, I believe, about 800,000 cubic metres of wood that was directed to them by way of ministerial directives.

Hence, the mill shuts down. There's 800,000 cubic metres of wood that used to go into that mill by way of chips. The government says, "Go out and find me a way to either revive this mill or find somebody else who's prepared to do something different." They did. Their problem is that they got caught in this whole process that we talked about earlier where there was no mechanism, according to the government, to give them unutilized timber. I argue that there was: Just use the sustainable forestry development act. But you and I will disagree on this, and that's not the subject of this debate.

The community now has, at stage two, an application before the minister. I understand that you're, at this point, actually in the process of signing off on some of these stage twos. Can you give us a clearer understanding of where things are at, stage two, for Smooth Rock Falls and area?

**Hon. Michael Gravelle:** I certainly can't speak about specific applications, and I know you understand that. In terms of the actual process and where it's at—I hope this is helpful, and again, Bill can either correct me or add on to what I have to say—we're pretty much at stage three. Stage one and two were obviously looking at applications. There was criteria, about six different criteria. Obviously it was important in terms of being fair to make sure—of the 115 proposals, there were some that simple didn't meet the criteria. Letters have gone out to various proponents—again, I've stayed out of this because I think it's important that I do so—saying, "You don't fit the criteria. You may have an opportunity"—

**Mr. Gilles Bisson:** Can I just clarify? So the only letters that have gone out are to those that have not met the criteria?

**Hon. Michael Gravelle:** No, more have gone out. Maybe I'll move it up a bit. We are basically at stage three. Therefore, there are groups that have received letters saying that some of them don't qualify. That's tough, but that's what's happened. Everyone who continues to be in the competition has received letters saying, "You're in this still. You're still in the competition. We're now in the process of evaluation." Everyone who has put a proposal forward has received a letter. Some have been informed they are no longer in the competition although they could potentially resubmit. Is that correct, Bill?

**Mr. Bill Thornton:** Well, yes. Two things are happening here. First there's the evaluation 115 proposals. As the minister has described, there are several stages. The first two stages have been completed. Those who were not successful in making it through those two stages, based on scoring against certain criteria—

**Hon. Michael Gravelle:** They know now.

**Mr. Bill Thornton:** They now know that. So some people are no longer in the competition—

**Mr. Gilles Bisson:** So if you haven't got a letter saying "you're out," you're still in?

**Mr. Bill Thornton:** That's correct. The minister also indicated that there was another circumstance where some people have been invited to resubmit the proposals because of changes in the amount of wood that's now in the competition. There are two categories at play there.

**Mr. Gilles Bisson:** Explain that last part back to me. Because you got more wood than you thought?

**Mr. Bill Thornton:** Less.

**Mr. Gilles Bisson:** Applicants for the wood needed?

**Mr. Bill Thornton:** Less. So, for example—

**Mr. Gilles Bisson:** No, I said that wrong. Are there now less applicants than there is wood available? That's why they can resubmit?

**Hon. Michael Gravelle:** No. Well—

**Mr. Bill Thornton:** No.

**Mr. Gilles Bisson:** Well, then, you've confused me. Explain—

**Mr. Bill Thornton:** Okay, so allow me to try to explain here. I'll use a specific example. As the minister has pointed out on several occasions, the Terrace Bay pulp mill has restarted. In doing so, there has been some wood committed to that restart, so we have informed people who are participating in the competition, "Look, there's some wood here that's now clearly going to be used. We believe it affects your proposal, and you are invited to resubmit your business plan knowing that some of this wood is now directed towards the Terrace Bay pulp mill."

**Mr. Gilles Bisson:** Okay, so can I ask at this point where Opatatika and Smooth Rock Falls are in the process?

**Mr. Bill Thornton:** I can only tell you that if they haven't gotten a letter, then they are still in the process. I

don't know if they have received a letter or not. We're not able to give you any evaluation beyond that.

**Hon. Michael Gravelle:** Am I right, Bill, to say that everyone will get a letter at some point? They might not have all gone out yet in terms of people who are at stage three.

**Mr. Bill Thornton:** I believe by now that those who are at stage three should know that.

**Hon. Michael Gravelle:** Everybody should have a letter saying, "You're at stage three."

**Mr. Gilles Bisson:** I won't say which, but I know one of the communities got a letter and the other community didn't. But if they didn't get a letter, my read is, they're still alive.

**Hon. Michael Gravelle:** I think that's an accurate read.

**Mr. Gilles Bisson:** My point is, if you would have been out of it, you would have got a letter saying you're out.

**Hon. Michael Gravelle:** Yes, that's correct. It's tricky for me, in particular—I think it's tricky for everyone, Bill, but certainly tricky for me to get involved in specifics about any application. But the answer is: Yes, if they have not received a letter, which means they didn't get a stage one or two letter saying, "For a variety of reasons, you may not have met our criteria"—

**Mr. Gilles Bisson:** Do you have the list with you?

**Mr. Bill Thornton:** No, and not only is the minister separated from this; I am as well. There's an evaluation team acting independently to evaluate these. We have a Fairness Commissioner who's participating in the process to make sure that the decisions that we make are fair. That's why we're very hesitant to discuss any of the details in terms of applications.

**Mr. Gilles Bisson:** All right. So it's fair if I get on the phone—because I was talking to both those communities leading up to estimates yesterday. They're both very—how would you say?—anxious to find out the results of their applications at stage two. I know in the one case they got a letter saying they're still in. The other one didn't get it, but if they didn't get a letter saying they're out, that probably means to say they're still in.

**Mr. Bill Thornton:** I can't say for sure.

1720

**Mr. Gilles Bisson:** That's basically what I'm picking up in what you're saying.

**Hon. Michael Gravelle:** Yes. If you're not in, you've got a letter, right? If you're no longer in—

**Mr. Bill Thornton:** In some cases, though, they were confirmed that they were going to stage three as well, I think, as part of—

**Mr. Gilles Bisson:** How much time do I have, Chair?

**The Vice-Chair (Mr. Robert Bailey):** Five minutes.

**Mr. Gilles Bisson:** Okay. Let me go back to the Ring of Fire. Don't run away, Bill, because I do like you. Let me go back to the Ring of Fire. I just want to understand something and see if the minister sees it in this way as well.



In the interim, now that we have Bill 191 passed and it's going to be proclaimed and regulations will be drafted, how do you deal—I'm trying to put this in a way that is not too confrontational—with those communities, at the end of the day, who say, "No, I don't want to participate in a land use plan," and there would be a development in that area? What happens?

**Hon. Michael Gravelle:** It's a little difficult for me to speak to this because, obviously, I'm not the minister responsible for the Far North land use, Bill 191.

I don't know of communities, other than potentially one—and I'm even speculating when I say that—that would not want to be involved in those discussions.

I know that the minister has spoken about the number of communities that they're working with in terms of discussions on land use planning.

I think I can say, relatively safely, that most of the communities that are obviously more directly impacted by the Ring of Fire development are open to discussions, I believe. I think it's fair to say. But I want to be a little careful, because I can't speak for all the First Nations directly, of course.

**Mr. Gilles Bisson:** I just want to go back and sort of caution you and others that in the case of what's happening with the Ring of Fire, it's no different than what happened with De Beers. It's not just a question of negotiating with the directly affected community, which in our case was Attawapiskat. You need to deal with all those other communities that are down the road. They all have an authority on their own traditional territories, and if you've got to cross them to get there, you have to have an agreement with them.

What I very much fear is that we may end up in a situation where communities, for their own reasons—because they're not happy with Bill 191, the Far North planning act, the way it ended up—may end up in a position where they're not prepared to go into land use plans. My understanding of the legislation, then, is that there will be no development unless cabinet decides otherwise, because there is that provision in the act.

I'm fearful that what we may end up with is a situation where a few communities decide yes, a few communities decide no; there's a split, there's a fight between the communities as to what's going to happen; and then we all end up sort of looking around. The pot of water is getting smaller and our eyeballs are getting closer and closer, and we all start fighting amongst ourselves over this development.

I just want to say, in the last couple of minutes that we have, I agree that the Ring of Fire has huge potential for northern Ontario. But we really need to understand that it is not going to be able to go forward unless the government very clearly says that those developments aren't going to happen without the consent of First Nations; that they will have an ability to negotiate IBAs that make sense for them; and they will have a process under land use planning, currently not available to them under this legislation but possibly under amended legislation, that allows them to get to where they are.

I guess the last point I would just make is this, in regard to the Ring of Fire, and I said it the other day: We need to ensure that the resources we have here in northern Ontario are used to the maximum effect for the province. That means that I very much want this not to be just a mining operation.

I think a lot of people in the north, in your area and mine, are saying that if this is just going to be a mine and we're going to process the ore outside—we're scratching our heads at that point, saying, yeah, there will be some jobs created, because mining is important. It creates very many good value-added jobs, very many highly paid jobs, but we don't get the value-added by just mining; we get the value-added by doing the milling and what's after.

I just want to say, in the last two minutes that I have—

**The Vice-Chair (Mr. Robert Bailey):** One minute.

**Mr. Gilles Bisson:** —one minute that I have—I'm watching the time very carefully, Chair—that northern Ontario wants this project to go forward. But as I said earlier, it has to follow three principles:

(1) It has to protect our environment. We need something, at the end of the day, that ensures that whatever happens is not detrimental to the environment.

(2) First Nations must benefit.

(3) The development must go forward in a way that makes sense for all of Ontario and northern Ontario, and we must do the value-added that's necessary in putting value on those resources.

If we can't achieve those three principles, I think we're going to be in trouble in northern Ontario, not only politically but economically.

**Hon. Michael Gravelle:** I appreciate everything you've said there. It's really constructive and very positive. And, may I say, without being at all glib, that those are words that certainly I could have been saying in a speech to a number of groups and organizations. We feel very, very strongly about all those things. We are determined and committed to seeing, obviously, that the greatest value-added opportunities come from this operation.

I've learned a great deal in this job, and obviously one keeps learning in this job, but certainly dealing with the communities, the First Nations, I recognize that it's important to deal with each of them individually. I deal with the leadership, but I recognize that. We are working, as you would know, with a number of communities on either memorandums of co-operation or memorandums of agreement or other such things.

I can tell you as well that I do believe that the measures that we're working on in terms of the modernization of the Mining Act will be substantially very helpful in terms of us reaching some of our goals. I believe, with our Ring of Fire coordinator in place and this government's commitment to make this work as a very delicately, well-managed process, we can reach those goals. I think it's true.

It's one of these things that in some ways crosses party lines completely. This is about an opportunity we want to see happen, but we want to see it happening to the benefit of everyone and really making a difference in northern

Ontario in a way that we haven't been able to do for some time. So I appreciate everything you said.

**The Vice-Chair (Mr. Robert Bailey):** Thank you, Minister. Your time is up—a little over. We'll move to the government side. Mrs. Van Bommel.

**Mrs. Maria Van Bommel:** I just want to go a little further with the same discussion because Mr. Bisson and both of you brought up the whole issue of mining and the importance that mining plays in the economy of northern Ontario. We talk about the Ring of Fire. We talk about the De Beers diamond mines.

You just mentioned the modernizing of the Mining Act. I'd like to explore that a little bit to see, when you talk about the modernization of the act, what you mean by modernization. How will that change how mining is done in northern Ontario?

**Hon. Michael Gravelle:** I very much appreciate that question. This has been certainly one of the most important things that we've worked on in our ministry over the last couple of years. There's still substantial work to be done, but we're very proud of the fact—a piece of legislation such as the Mining Act is one that's been around for a long time. It was very much determined that, indeed, there needed to be a look at how we could modernize it.

Obviously, as the minister for mines, you're an advocate for the mining industry. We're excited about it. It's a tremendous economic driver in the province of Ontario. It's remarkable in terms of how important it has been. There have been some challenges, obviously in the last couple of years, but it's coming back. It's just huge in terms of jobs. The biggest private sector employer of aboriginals is the mining sector in Canada. It's incredible.

Obviously, that's where the Ring of Fire becomes very exciting for us as well because we see some of these extraordinary opportunities developing, and we want to be ready and positioned for that. It did become clear that, indeed, the time had come for us to look at the Mining Act to find this opportunity to modernize it.

Again, I made reference to balance earlier about other issues related to forestry. Certainly, in the mining sector, that became I think the key in terms of the watchword, in terms of how we move forward with the Mining Act. How do you modernize a piece of legislation while you maintain a positive investment climate in the province of Ontario? Clearly, that was crucial to the mining sector itself. We certainly needed to provide clarity also to the sector. For a variety of reasons, there was a need to make sure there was certainty and clarity in terms of the investment climate and the rules that were put in place. At the same time, it also was clear we needed to modernize this piece of legislation to make it reflect, quite frankly, 21st-century values.

That became our task at hand. We went to work, and I just can't begin to thank the people in the mining division of our ministry, who worked so very hard. The consultations and discussions began long before we brought forth the legislation itself. We recognize that there were some key items that we very much needed to be working

on. Certainly, we wanted to work on issues related to the consultation.

1730

We are very proud that, as part of the discussions, we made a determination that we were going to be including the aboriginal and treaty rights in the preamble of the legislation itself. That became a very important element. We also wanted to be very, very sure that we built in opportunities for consultation all the way along the mining sequence. That became something that we managed to put in place, I think, quite successfully.

What we believe, ultimately, is that this—Bill 173 actually passed, and I've got the exact date here, October 28, that the act received royal assent. I think we actually passed it in the House just three or four weeks before then, towards the end of September.

We believe this legislation is truly going to be crucial to revitalizing Ontario's approach to mineral exploration and mineral development. It does take extremely bold steps that support significant strides, as I mentioned, particularly related to aboriginal consultation throughout the entire mining sequence. That has become a crucial point.

For example, we're requiring awareness training for prospectors before they receive their licence. Also, we're going to bring into the legislation a dispute resolution process so that when we get to a situation where there can be no easy agreement on how we move forward, this dispute resolution process will be put in place.

We really, in essence, are bringing into place a framework for improved social responsibility to, as I said earlier, very much increase certainty and clarity in terms of the process so that when investment decisions are made, there's a real understanding of what's in place. I think it's this certainty of the rules, and the clarity and the timeliness of the process, that the industry clearly needs.

I won't have enough time in our segment to talk about the people that we worked with very closely, but certainly I remain ever grateful to the Ontario Mining Association. There might be some who would say that they would rather not have legislation to modernize pieces of legislation, much like we're working to modernize the forest tenure system. We just felt that it was something to work with. The Ontario Mining Association worked very closely, and I'm grateful to Chris Hodgson and to all those at the Ontario Mining Association for the work with them, because they recognized that this was something that also needed to take place, and they wanted to have a real sense of clarity as well in terms of the road map.

We know that bringing together legislation that modernizes the way mining companies stake and explore their claims to be more respectful of private landowners—there were many issues related to private landowners—and aboriginal communities—obviously, as I mentioned earlier, recognizing aboriginal and treaty rights, and also addressing the issue of service and mineral rights, were important.



I've used the term "balanced approach" constantly. I think it continues to be the way that one truly is able to consider a wide range of interests while, again, always remembering that we are working to support an economic climate for the mineral sector. I feel very strongly, and I think all of our ministry officials do, that we have prepared very effective legislation that promotes that balanced development. That will be of benefit to all. Again, I think there will be some real benefits to the fact that we have brought this legislation forward. We continue to work on it as we move forward with projects that are so important to us, such as the Ring of Fire.

Certainly I'm very proud of the fact that Ontario is now the first jurisdiction in Canada to expressly recognize aboriginal treaty rights in its mining legislation. As I said, it enables this dispute resolution process. Again, it's a first in terms of dealing with aboriginal mining issues through regulation.

Also, Ontario is the first jurisdiction to require prospectors to complete a mandatory awareness program. Again, we've had lots of discussions about this—I certainly have—with a number of prospectors. Some of the more veteran prospectors felt they didn't need to have this particular awareness training, or new ones don't need it, but it's interesting how this is a discussion that always carries on in a very positive way. We've worked for it because I think it's important to be aware of aboriginal and treaty rights and, certainly, to be familiar with the best practices in relationship-building and consultation.

Certainly, one of the things that we heard while we were going through our consultation process was that there were many First Nation communities that very much want the economic opportunities that mining can afford. Again, I refer most quickly to the Ring of Fire, but there are many other examples. It's not particularly well known, but I think there are something like—I may have the numbers wrong—40 to 42 agreements in place between First Nation communities and mining companies, exploration companies. That's just another example of how there is very much a positive story to tell, and we're very excited about that.

In terms of the concerns that were addressed by the aboriginal communities, we did determine that we would introduce a new regulatory regime that will, as I pointed out earlier, include aboriginal consultation requirements for a wide range of mining activities, including our move towards map-staking across the province. That will, as we complete that process—this is all going to take some time. We want to do this in a very orderly way, and we want it to work well for everyone. We want it to work for the prospectors and the people who are staking the claims as well. But that will remove the need for the prospectors and people staking claims to go onto the land. It can certainly avoid some of the issues related to going onto land and disturbing the land in order to stake their claims.

We also recognized that it was important for us to set up and to build in provisions for withdrawing significant aboriginal cultural sites from claim-staking. That's another very important part of the process and, I think,

probably the one that is perhaps—it doesn't seem very dramatic, because it's not, but it's important to build in requirements to notify aboriginal communities of plans for significant exploration activities within their traditional lands. I just think that's something that became, clearly, extremely important, and we're glad. Again, we did all this working very closely with a number of the mining companies as well.

It's interesting: Mr. Bisson brings up the example of the Victor Diamond mine, Ontario's first diamond mine, and the De Beers company: How they, basically, worked very closely with the First Nations, particularly Attawapiskat, to make sure they had an impact benefit agreement in place before they moved forward with the development of the diamond mine. I must tell you that I certainly looked at that process, and our ministry looked at that process, to some degree, as a model for how we might want to be able to make our adjustments to the Mining Act. The way that they did things was so positive.

I can tell you that Jim Gowans, who was the president of De Beers Canada at the time, was very supportive of the fact that we needed to make sure we went through our process very carefully and have those discussions. He's done a great number of things.

Well, I'm quite frankly very proud of the process that we went through. There's no doubt that we recognized that there was a need to modernize the act. I think we've done—if I may say so and not appear to be too immodest—a pretty good job. Again, my ministry staff get most of the credit, if not all of the credit, for that. We've worked hard.

There is still a significant amount of work to do. We have to work to move forward on the regulations that will allow us to put into effect a number of the measures that have been put in place, and there are various phases to that.

In December 2009, we released the workbook on the development of regulations for the Mining Act. The workbook, in essence, provided the framework for developing key regulations for exploration; plans and permits discussion; aboriginal consultation, that dispute resolution process that we're so proud of; map-staking; the protection of sites of aboriginal cultural significance; and also the details of the awareness program for prospectors and, of course, the provision for the withdrawal of crown-held mineral rights on private land.

1740

Public feedback on the regulations for the Mining Act was obtained through the Environmental Registry until—I think it began in December 2009 and was there until the end of April. It was a 130-day posting period. We received a number of submissions during that time, and we are now in the process of holding discussions on the work with the mineral sector itself, with aboriginal groups and with environmental groups throughout the spring. We did it this past spring, this summer and we're certainly continuing it this fall.

We will certainly be seeking further input from a number of groups, including aboriginal groups in the

industry itself on selected regulations in the near future, including very important feedback that we received from the minister's Mining Act advisory committee.

In essence, this is a pretty big job. The actual final regulations will be phased in over a period of three to five years. When one is taking on a task such as this, it's important that it be brought forward in a public way. We are pretty pleased—even the debate in the Legislature was terrific, too. I honestly can't recall whether or not we received support from the opposition. Maybe not, but I think Mr. Bisson will acknowledge that it was a pretty good debate, in terms of what we did in modernizing the Mining Act. It was a good debate in the Legislature.

*Interjection.*

**Hon. Michael Gravelle:** He's not exactly sure—

**Mr. Gilles Bisson:** I'm sure; I'm just not commenting.

**Hon. Michael Gravelle:** But it was an important one. I think we all recognized that it was an important one. Bill 173, as we've pointed out, received royal assent on October 28, and the report back to the Legislature was completed by the Standing Committee on General Government. We did hold public hearings on this as well. Certainly, we are conscious that indeed there's still some real work to do.

I can give you a bit of an update as well on the status of the regulatory development. As I pointed out, different sections of the amended act will be proclaimed as relevant details are developed. Again, as I pointed out, it is phased in over the next three to five years, very much depending on the implementation or the transitional requirements.

If one looks at phase one, we are hoping and anticipating that we can do this within a one-year time period. We will be moving to paper-staking—

*Interjection.*

**Hon. Michael Gravelle:**—two minutes; thank you—in southern Ontario. There will be criteria to withdraw crown mineral rights under the privately held service rights in northern Ontario. That's an important aspect of the bill. I made reference to the criteria for protection of sites of aboriginal cultural significance, and obviously we're going to have the ground proofing for map-staking as well.

There are phase two and three: Phase two will include the dispute resolution process. I keep mentioning that because we think it's a particularly important part of the legislation, something that is incredibly important, and the prospector awareness as well. The online map-staking in terms of the province will take some time to make it work well.

Again, our goal is to work with all people who've got an interest in the mining sector. I am hopeful and I strongly believe that the work that we've done on modernizing the Mining Act will be of real benefit to us as we move forward with the development of the Ring of Fire. We are very conscious of how this must be managed in a careful and well-discussed way, and we're going to make sure that happens.

I can tell you that—as always, I seem to run out of time; I don't know how it happens. There's lots to talk about. I thank you for the opportunity.

**The Vice-Chair (Mr. Robert Bailey):** Thank you, and you're right on the money there.

I'd like to finish at 10 minutes to. That will give us time to leave the committee room and go up and vote. We've got to finish off here today. I'm going to ask if we can limit ourselves, if that's okay, if I have the will of the committee, to three minutes for each party, starting with—

**Mr. Gilles Bisson:** Just closing comments, I guess.

**The Vice-Chair (Mr. Robert Bailey):** And if we want to make closing comments, however we want to do it. I'm going to be really strict with the time.

**Hon. Michael Gravelle:** So we vote afterwards, Chair? We'll come back after the vote?

**The Vice-Chair (Mr. Robert Bailey):** No, you'll be all done.

**Hon. Michael Gravelle:** Okay.

**Mr. Bob Delaney:** Will we have time to say—

**The Vice-Chair (Mr. Robert Bailey):** Yes, I think so, if we get started right away. Mr. Hillier.

**Mr. Randy Hillier:** Minister, I just want to refer you back again to one of your responses. It was with regard to economic development in the north on crown lands. On page 3 of that, you mentioned here \$500,000 for a study in the first bullet point, another \$50,000 for another study in Northeast Superior Forest Community and another \$1.3 million for another study in Timmins—clearly studying the opportunities for crown land development. On the very first page, you indicate that the northwestern Ontario economic facilitator initiative by Dr. Rosehart included the recommendation regarding crown land development, which called for the MNR to lead an interministerial working group to facilitate a process for lot development on crown land etc. But then on page 2, the last bullet point, you say that there are no plans to change these established processes for crown land disposition.

Here we have a report on the first page looking for an interministerial working group to improve the process, you're spending lots of money on studying crown land development, and then there are no plans to change the process on page 2.

What is clear with me is—and it must be difficult for you, because you want to do economic development, and you're surrounded by contradictions—contradictions on crown land development; contradictions on your energy policy within government, the high energy costs driving our businesses out of northern Ontario; and contradictions from environmental groups and MNR on the Endangered Species Act harming our forestry. You're full of contradictions, this government. You talk a lot about economic development but are surrounded with contradictions that prevent you from actually accomplishing economic development. That's what we've seen in the north: a steady, steady decline.



You can spend all this money on studies, but the problem with economic development in the north is not one of money; the problem is one of contradictions—contradictions of your government. How can we harvest more timber when we continually shrink the land base? How can we process minerals from the Ring of Fire if the energy costs are so great that we can't be competitive doing it?

**The Vice-Chair (Mr. Robert Bailey):** The time is up, Mr. Hillier.

**Mr. Randy Hillier:** Minister, it's not consultations. Even though you've scrubbed the consultations, you need to get these contradictions out of the system.

**The Vice-Chair (Mr. Robert Bailey):** We're going to move to the third party. Mr. Bisson, please, three minutes.

**Mr. Gilles Bisson:** Well, it's closing comments, and I guess in the three minutes that I have, I just want to say a couple of things. One, I believe that the work that Northern Development, Mines and Forestry does in northern Ontario is important work, along with the work of MNR and a few other ministries. I think more and more, we're seeing people in northern Ontario who are becoming less and less enchanted by the decision-making process. The minister will maybe not agree to that and be a cheerleader on it, but I think he knows what I speak of. Far too often, decisions are made very far away from northern Ontario. That may not sit well with northerners. The examples of that we saw under the Far North planning act, under Bill 191. We've certainly seen that under the Mining Act etc.

Ministers of the crown are put in the unenviable position of trying to bridge the gap between the wants and wishes of northerners and the wants and wishes of the Premier. That is true of most governments. I think one of the things that we're going to have to come to terms with in northern Ontario in the not-too-distant future is trying to figure out a way that northerners are able to be brought into the process of how we come to decisions in ministries such as Northern Development and Mines or MNR or whatever that affect us in northern Ontario so that, as much as humanly possible, we have solutions that are designed by northerners for northerners when it comes to the issues that face us in the north.

It's not that southern Ontario is evil. I don't buy that for a second. People in southern Ontario are just as good as us. They're just as well intentioned, they're just as honourable as we are, just as hard-working etc. But we live different experiences, and if you ask people in Attawapiskat to go sit on city council and decide where the bicycle lanes are going to be in downtown Toronto, I think you're going to have a pretty different outcome than if people in Toronto were to do it. We're just saying

that in northern Ontario, we want to be able to make decisions about what happens to us.

I understand that governments of different colours try to do as they did under the Mining Act; under your ministry, Minister; and under Madame Jeffrey's ministry with the Far North planning act. What starts out to be a well-intended idea—but we never really end up with what we want in northern Ontario because we're caught in this dichotomy of what the Premier's office wants, what the NGOs in Toronto want and the Premier's needs for votes in southern Ontario. We get caught up in that whole situation.

So I just say that we in the north are a resilient bunch, as the minister well knows; you're one of us. We may not be on the same side on a whole bunch of issues and we might fight each other on a number of cases, but at the end of the day, our interests are all the same, and that is that we all in northern Ontario are able to move forward in a way that recognizes that we need to sustain what happens and that we're able to move forward in a way that's to the benefit of all.

**The Vice-Chair (Mr. Robert Bailey):** Time's up, Mr. Bisson. Government: three minutes.

**Mr. Bob Delaney:** I think we'll pass and go to the vote.

**The Vice-Chair (Mr. Robert Bailey):** All right. Ladies and gentlemen, that concludes the standing committee's review of the estimates of the Ministry of Northern Development, Mines and Forestry. We will now deal with the vote.

Shall vote 2201 carry? Carried.

Shall vote 2202 carry? Carried.

Shall vote 2203 carry? Carried.

Shall vote 2204 carry? Carried.

Shall the estimates for 2010-11 of the Ministry of Northern Development, Mines and Forestry carry? Carried.

Shall I report the 2010-11 estimates of the Ministry of Northern Development, Mines and Forestry to the House? Agreed.

**Hon. Michael Gravelle:** I appreciate your strong support.

**The Vice-Chair (Mr. Robert Bailey):** Thank you, Minister, and your staff, for attending. On behalf of the full-time Chairman—I know it's been an interesting three days. I enjoy this committee. As I said, it's always interesting.

Before we adjourn, we are going to adjourn to Tuesday, October 19, at 9 a.m., when we will begin consideration of the estimates of the Ministry of Training, Colleges and Universities.

I'll see you in the House.

*The committee adjourned at 1752.*

## CONTENTS

Wednesday 6 October 2010

|  |       |
|--|-------|
| Ministry of Northern Development, Mines and Forestry ..... | E-267 |
| Hon. Michael Gravelle                                      |       |
| Mr. Bill Thornton  |       |

### STANDING COMMITTEE ON ESTIMATES

#### Chair / Président

Mr. Garfield Dunlop (Simcoe North / Simcoe-Nord PC)

#### Vice-Chair / Vice-Président

Mr. Robert Bailey (Sarnia–Lambton PC)

Mr. Robert Bailey (Sarnia–Lambton PC)

Mr. Gilles Bisson (Timmins–James Bay / Timmins–Baie James ND)

Mr. Jim Brownell (Stormont–Dundas–South Glengarry L)

Mr. Kim Craiton (Niagara Falls L)

Mr. Bob Delaney (Mississauga–Streetsville L)

Mr. Garfield Dunlop (Simcoe North / Simcoe-Nord PC)

Mr. Phil McNeely (Ottawa–Orléans L)

Mr. John O’Toole (Durham PC)

Mrs. Maria Van Bommel (Lambton–Kent–Middlesex L)

#### Substitutions / Membres remplaçants

Mr. Randy Hillier (Lanark–Frontenac–Lennox and Addington PC)

#### Clerk pro tem / Greffière par intérim

Ms. Sylwia Przedziecki

#### Staff / Personnel

Ms. Anne Marzalik, research officer,  
Legislative Research Service



ION  
C26  
E77

Publication



E-15

E-15

ISSN 1181-6465

## **Legislative Assembly of Ontario**

Second Session, 39<sup>th</sup> Parliament

## **Assemblée législative de l'Ontario**

Deuxième session, 39<sup>e</sup> législature

# **Official Report of Debates (Hansard)**

**Tuesday 26 October 2010**

# **Journal des débats (Hansard)**

**Mardi 26 octobre 2010**

## **Standing Committee on Estimates**

Ministry of Training,  
Colleges and Universities

## **Comité permanent des budgets des dépenses**

Ministère de la Formation  
et des Collèges et Universités



Chair: Garfield Dunlop  
Clerk: Douglas Arnott

Président : Garfield Dunlop  
Greffier: Douglas Arnott

### **Hansard on the Internet**

Hansard and other documents of the Legislative Assembly can be on your personal computer within hours after each sitting. The address is:

<http://www.ontla.on.ca/>

### **Index inquiries**

Reference to a cumulative index of previous issues may be obtained by calling the Hansard Reporting Service indexing staff at 416-325-7410 or 325-3708.

### **Le Journal des débats sur Internet**

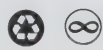
L'adresse pour faire paraître sur votre ordinateur personnel le Journal et d'autres documents de l'Assemblée législative en quelques heures seulement après la séance est :

### **Renseignements sur l'index**

Adressez vos questions portant sur des numéros précédents du Journal des débats au personnel de l'index, qui vous fourniront des références aux pages dans l'index cumulatif, en composant le 416-325-7410 ou le 325-3708.

---

Hansard Reporting and Interpretation Services  
Room 500, West Wing, Legislative Building  
111 Wellesley Street West, Queen's Park  
Toronto ON M7A 1A2  
Telephone 416-325-7400; fax 416-325-7430  
Published by the Legislative Assembly of Ontario



Service du Journal des débats et d'interprétation  
Salle 500, aile ouest, Édifice du Parlement  
111, rue Wellesley ouest, Queen's Park  
Toronto ON M7A 1A2  
Téléphone, 416-325-7400; télécopieur, 416-325-7430  
Publié par l'Assemblée législative de l'Ontario



## LEGISLATIVE ASSEMBLY OF ONTARIO

## ASSEMBLÉE LÉGISLATIVE DE L'ONTARIO

STANDING COMMITTEE ON  
ESTIMATESCOMITÉ PERMANENT DES  
BUDGETS DES DÉPENSES

Tuesday 26 October 2010

Mardi 26 octobre 2010

*The committee met at 0903 in room 151.*MINISTRY OF TRAINING,  
COLLEGES AND UNIVERSITIES

**The Chair (Mr. Garfield Dunlop):** We'll call the meeting to order; we have a quorum here. We are here today for the consideration of the estimates of the Ministry of Training, Colleges and Universities for a total of six and a half hours.

The ministry is required to monitor the proceedings for any questions or issues that the ministry undertakes to address. I trust that the deputy minister has made arrangements to have the hearings closely monitored with respect to questions raised so that the ministry can respond accordingly. If you wish, you may, at the end of your appearance, verify the questions and the issues being tracked by the research officer here. Are there any questions from anyone before we start? I think we go through this fairly regularly.

I now call vote 3001. We will begin with a statement of not more than 30 minutes by the minister, followed by statements of up to 30 minutes by the official opposition and then the third party. Then the minister will have up to 30 minutes for a reply, and the remaining time will be portioned equally among the three parties.

Just to make sure we're clear on this: Minister, you can speak for 30 minutes or you can take questions immediately, if you want, from everyone. The official opposition can either make a statement or they can begin immediately asking you questions. You've been through this before. Then, the final 30 minutes has to be you making that statement to the group, not taking questions from government members. If you don't use any of that 30 minutes, we immediately go into 20-minute rotations, and we'll finish that way.

Welcome, Minister Milloy and all the staff at the Ministry of Training, Colleges and Universities. Congratulations on your new son as well.

**Hon. John Milloy:** Thank you very much, Mr. Chair. If you'll permit me, and I've said this to you privately, I do want to publicly acknowledge your support and the support of the committee. With the wonderful new addition to our family last week, the committee went to great efforts to allow my appearance to be delayed. I do want to publicly acknowledge and acknowledge on the record all that you did.

As some of you know, this is my second child. The first child had a double-barrelled name, John Patrick. I tried to convince my wife that, in light of all the support here at the Legislature, we should do the same thing, but she did not want to name our son Garfield Dalton. I think it may be because he'd be confused with all the other Garfield Daltons at his school. I do want to thank you.

I'm pleased to be here today to discuss the 2010-11 estimates for the Ministry of Training, Colleges and Universities. As is the practice, I'm accompanied by a number of senior officials from the ministry who, I imagine, will be called on from time to time to answer questions of a technical nature. I'd like to briefly introduce them. To my left is Deborah Newman, the deputy minister. We also have Marie-Lison Fougère, assistant deputy minister, strategic policy and programs; David Fulford, assistant deputy minister of corporate management and services; Laurie LeBlanc, assistant deputy minister, employment and training; and Nancy Naylor, assistant deputy minister, post-secondary education. They're supported by another cadre of officials at the director level who, as I say, will be pleased to provide supplementary and technical information as questions arise.

I do want to say at the outset that it is a privilege for me to work with these fine individuals and with all of our ministry staff who are so dedicated to education and training. I want to thank them for the preparation that has gone into this appearance in front of the committee and, of course, the follow-up for the various questions and issues that are raised.

I last appeared before this committee two years ago. For much of the time since then, Ontario has been dealing with the effects of the global recession and the transformation of key sectors. This has been a challenge for us all. This has been a challenge for Ontario families, especially for people who, through no fault of their own, found themselves out of work.

Now the economy has shifted. Though the recovery is still in its early stages, one fact remains paramount, and that is that Ontario's greatest strength is its people. The ideas, focus and energy of our men and women and younger generation are the bedrock of this province. In this fast-changing world, they will continue to propel Ontario forward.

Earlier this year, the McGuinty government set out a new foundation for success. Our five-year Open Ontario

plan puts us on a bold, smart path to jobs and growth that is open to change, opportunities and the new economy.

A key focus of this plan is post-secondary education and training. Our government knows that a skilled, knowledgeable workforce attracts the jobs and investment that lead to a strong province and high quality of life.

#### 0910

Sixty-three per cent of Ontarians between the ages of 25 and 64 already have post-secondary education or apprenticeship training, which is a competitive advantage in this competitive world, but we have to do better. Seven out of every 10 new jobs created in Ontario in the next decade will require post-secondary education or training. Through Open Ontario, our government will raise the percentage of Ontarians with a post-secondary education and training credential to 70%. Every qualified Ontarian who wants to go to college or university or learn a trade will find a place.

Our aim is nothing less than to create the most skilled and knowledgeable workforce in North America; one that is ready and able to meet all the demands of the 21st century. As we take these steps, our government will build upon the success of our five-year \$6.2-billion Reaching Higher plan. Reaching Higher was the largest single multi-year investment in post-secondary education and apprenticeship training in two generations. It delivered greater access and improved quality for students, greater accountability by colleges and universities and a more responsive training system.

Moving forward, our government will work with our education, training and business partners to develop a new five-year plan that will ensure the continuing quality of Ontario's post-secondary education system. And we will continue to address training and education at every level—from helping newcomers gain access to second language training, to supporting college training and apprenticeships, to supporting graduate work at the university level—so Ontarians can be at their very best and our province can be at its strongest.

The Ministry of Training, Colleges and Universities takes a strategic approach to education and training. Let me begin with colleges and universities. Ontario has 20 public universities, including the two newest: Sault Ste. Marie's Algoma University, which opened in 2008, and Toronto's OCAD University, which received its designation this year. As well, we have 24 public colleges in the province. It has been my privilege to visit most, if not all, of these facilities and meet and be inspired by the students. They are training to be doctors, scientists, entrepreneurs, artists, technicians—individuals who will excel in a thousand and one careers and will propel our province and our future. Our commitment is to help them succeed.

In 2010, our ministry is investing more than \$4.7 billion into operating grants for colleges and universities. This is the eighth consecutive year in which these grants have increased. This continuing investment has allowed us to transform the sector to meet the needs of the new

economy and to give more Ontarians access to the programs and courses they need to succeed.

Today, about 140,000 more students are attending Ontario's colleges and universities than in 2002-03. That's a 36% increase, and these numbers are only going higher. Post-secondary enrolment is growing five times faster than it did in the 1990s; 40% of 18- to 24-year-olds are enrolled in college or university today, up from 35% in 2002.

Just as important, students are experiencing better success and higher graduation rates, and when they do graduate, they're getting good jobs fast. Some 79% of undergraduate students are now completing university, up from 73% in 2002. A recent study found that 94% of students who graduated university in 2006 were employed within six months of graduation, 96% were employed within two years and 85% were employed in careers related to their program of study.

Still more are carrying on with their education. Today, almost 13,600 more students are registered in graduate school than in 2002—an increase of 54%. More students are graduating from our public colleges. Today, 65% of college students are graduating compared to 57% in 2002. And even during a challenging market, almost 85% of the class of 2009 found employment within six months.

To facilitate these successes, our government has invested in bricks and mortar. Since 2003, more than \$3.5 billion has been allocated to capital projects on university and college campuses, including up-to-date classrooms, labs and facilities. Forty-nine infrastructure projects announced in 2009 are currently under way, supported by \$981 million in provincial funds, complemented by investments from the federal government. These projects will enable Ontario colleges and universities to modernize. It will also give them the facilities and boost the province's long-term research and skills training capacity that is needed.

Seven institutions have received capital support through Ontario's strategic capital infrastructure program.

Through the college equipment and renewal fund, we've invested \$60 million over three years to help colleges acquire new instructional equipment. Students must be able to leave school and enter the workforce having been trained on the latest technology and ready to do the job.

We gave colleges and universities a one-time investment of \$155 million in 2009-10 in additional operating funding to support the larger number of enrolments and to improve sustainability. All these investments help to support the learning experience.

In this regard too, we are facilitating and building upon a strong base. Ontario students have positive things to say, not only about the colleges and universities they attend, but also about the post-secondary learning experience. Seventy-nine per cent of Ontario's university undergraduates rate their educational experience as good to excellent. Fully 78% say that if they were to start all



over again, they would still choose their same university. Seventy-six per cent of college students express satisfaction with their alma mater, up from 75% in 2003, and 80% were pleased with the quality of learning experience within their program of study. We work hard with our partners to improve the learning experience and to make change happen.

For example, a key commitment is to improve students' ability to navigate the post-secondary education system, including giving them more flexibility to move between colleges and universities as their needs and goals change. That's why our government will provide additional resources towards the implementation of a credit transfer system.

I want to recognize the contribution of an important group of individuals who have provided solid advice to the ministry during this time of change and expansion. I'm talking about the Higher Education Quality Council of Ontario, or HEQCO. The council is an arm's-length body of the government. It provides us with research-based advice on how to improve the quality of and accessibility to our colleges and universities. It helps us develop best practices for accountability from our institutions, so that we will know that students and taxpayers are well served.

HEQCO provides a sounding board on how to best improve the quality of Ontario's post-secondary education system. Its work encourages open dialogue and collaboration between the government, colleges, universities and all those who have an interest in improving Ontario's post-secondary education system. It helps us to respond to labour market needs and to be competitive internationally.

The council's 2010-11 research priorities, as set out in their third annual review and research plan, encompass accessibility, quality, accountability and sustainability in our post-secondary system over the long term. Those issues are critical for maintaining a healthy post-secondary education system that responds to students and serves the province.

I spoke earlier of our Open Ontario plan to raise Ontario's post-secondary attainment rate to 70%; to ensure that every qualified Ontarian who wants to go to college or university will find a place. This plan includes supporting an additional 20,000 spaces in colleges and universities this year: that's the equivalent of a whole new University of Guelph. Our government has provided \$310 million in 2010-11 to support these spaces. These 20,000 more students will make an important difference to the future of Ontario.

Similarly, we remain on track to create 15,000 new graduate student spaces by 2011-12, compared to 2002-03. Our \$221.6-million investment includes an additional \$51.6 million by 2011-12 to support the final 3,300 spaces and complete the expansion. Overall, there will be 62% more graduate student places in Ontario next year than in 2002.

This expansion is helping to develop the top talent Ontario needs to conduct cutting-edge research and

translate innovative ideas into the solutions that will, in turn, lead to new investments, new businesses and new jobs. Our government has invested \$142 million since 2005 to expand graduate fellowships and we continue to support 1,750 graduate research internships through our four-year, \$17-million partnership with MITACS.

These internships link Ontario companies with universities and involve graduate students in real-world research projects, including in science and engineering, health and life sciences, arts, social sciences and business.

#### 0920

Our government has also followed through on our commitment to graduate more doctors and nurses. By 2011-12, we will have created 260 new first-year medical school spaces, up 38% from 2003. To facilitate this expansion and to train more doctors in more communities, we created the Northern Ontario School of Medicine as well as new medical education campuses in Waterloo region, St. Catharines and Windsor, with a fourth campus scheduled to open in Mississauga in 2011.

In 2009—and going forward—we provided \$20 million to help all of Ontario's medical schools continue to provide an innovative curriculum, and we are providing \$35 million over three years to help build the specialized rooms, labs and equipment needed for training. The number of first-year, full-time degree nursing students has also increased: up by 27% since 2005.

An excellent post-secondary education system must ensure that students have the support they need to attend and succeed. Our government has introduced a wide range of measures that focus on financial assistance, including a student access guarantee that promises that no qualified student will be denied a post-secondary education because of lack of funds. According to a report by the Canada Millennium Scholarship Foundation, Ontario is now providing record levels of non-repayable assistance and Ontario institutions were found to be more generous than other Canadian institutions in providing need-based aid.

We have accomplished this through major improvements to the Ontario student assistance program, or OSAP. This year, 210,000 students will benefit. More students from low- and middle-income families are receiving grants, more students are getting higher assistance levels and more students are being supported in managing and repaying their loans. And as part of Open Ontario, our government provided an additional \$81 million this year to further expand and modernize the program.

Let me highlight some of the improvements:

Allowances provided for books, supplies and equipment will now be adjusted for inflation annually to ensure they better reflect the real costs to students and their families.

Students can keep more of the money they earn from part-time jobs without it affecting their OSAP funding.

Weekly loan maximums have also been increased. They are now \$150 per week for single students and

\$350 per week for married students and students with children.

Also for married students, we have reduced the share of income that spouses are required to contribute to their partner's income by 10% and doubled the OSAP vehicle exemption to \$10,000.

There will be a new grant for part-time students, and the number of Ontario graduate scholarships will be increased by 1,000, to a total of 3,000 to be awarded every year.

Other changes focus on repayment, and I do want to recognize that students take their repayment responsibilities seriously. The Ontario student loan default rate was 8% last year. That was the lowest rate since the province began measuring defaults in 1997, when it was 23%.

Going forward, our government has made the Ontario portion of all OSAP loans interest-free and payment-free for six months after graduation. Under the new repayment assistance program, or RAP, no graduate in financial difficulty will be asked to pay more than 20% of their family income towards their loans, and after 15 years, any remaining student loan debt will be forgiven.

We've also streamlined application processes so students can get their financial support faster and can focus more quickly on their studies.

Our government is committed to ensuring that post-secondary education in Ontario remains affordable. We've extended the cap on tuition fee increases to an average of 5% annually for two more years, and we work hard to ensure access to the system by all of Ontario's diverse learners all across the province.

Currently, for example, 19,000 French-language students and new learners are taking 249 programs through Ontario's French-language colleges and universities. These numbers have grown from 18,000 and 213, respectively, in 2003. In fact, funding for French-language post-secondary education topped \$84 million in 2009-10, 64% more than in 2003.

Ontario operates a bursary program to help aboriginal students in financial need attend post-secondary education. We fund a range of support services to improve the everyday experience and achievement levels of aboriginal students in post-secondary education and training opportunities.

We also provide help to students with disabilities. This year, we allocated \$8 million in access-to-opportunities funding to help students with disabilities succeed in their post-secondary studies.

And crown wards continue to be an important focus. Our government has provided new supports, including doubling the number of crown ward education championship teams in Ontario to 14. These teams do outstanding work in mentoring, motivating and guiding crown wards along a successful educational path.

We have also provided \$19 million over four years to help expand the Pathways to Education program beyond Regent Park to other priority neighbourhoods in the GTA and throughout Ontario. This innovative program has

been very successful in reaching out and helping youth stay in school and realize their potential.

Our government also reaches out to first generation students. From 2008 to 2010, 42 colleges and universities delivered initiatives that offered advice and supports to first generation students. Decisions on a new round of initiatives for 2010 to 2012 will be announced shortly.

Preparing our students for today's knowledge-based and global economy is a critical responsibility. The steps I have described, which focus on the quality and accessibility of our colleges and universities, are imperative to a strong Ontario.

Strengthening our skilled trade sector is equally important. All across Ontario, in every community, skilled workers help to grow our businesses. They build and maintain our public and private infrastructure. Their skills and experience ensure Ontario's competitiveness in a global economy. We must have enough skilled workers to support our economy going forward.

Our government is reaching out to all Ontarians, including unemployed and older workers, newcomers, women, aboriginal people and people with disabilities, to make them aware of the opportunities that are available in the trades. We are modernizing and enhancing our skilled trade system to ensure that it aligns with the needs of our economy. And we are accomplishing these goals via the transformation of Employment Ontario, skills training for new opportunities, a focus on apprenticeship, and through the newly established Ontario College of Trades.

The dual effects of the shifting economy and the global recession have affected many of Ontario's workers. People need to upgrade their skills, learn new trades or gain better proficiency in literacy in order to find jobs in a changing workplace. Many have turned to Employment Ontario, which offers training information and job search assistance in person, online and by phone in 25 languages. Our government has increased our investment in Employment Ontario to more than \$1.6 billion in each of the past two years. As a result, we have helped more than one million people annually. And we continue to transform the organization to be more integrated and client-focused.

In August, we took a big step forward with a new one-stop approach. Employment Ontario employment service offices now offer, in one location, all the services people need to help with resumé preparation, career and training planning, job matching and placement opportunities, and advice on finding a job that is right for them. Employers also benefit. They can visit any Employment Ontario employment service office if they wish to hire new employees, help existing employees build skills, or obtain labour market information.

Another part of the Employment Ontario transformation has focused on delivering services to communities when and where they are needed. For example, my ministry's rapid re-employment and training services team provides an immediate and appropriate response in any large layoff situation. Within one hour, our team is



working to connect workers with Employment Ontario services. Our collective goal is to help laid-off workers get back on their feet faster.

Employment Ontario also seamlessly operates federal-provincial initiatives such as the three-year, \$58-million targeted initiative for older workers program. This initiative is helping unemployed older workers with programming that increases that employability, reintegrates them into employment and ensures that they remain active and productive participants in the labour market while their communities undergo economic change. We will continue to work with our Employment Ontario partners to ensure service excellence and customer satisfaction.

Two years ago, our government launched a new program, Second Career, the first of its kind in Canada to help laid-off, unemployed workers train for careers in high-demand sectors. Second Career has been highly successful. To date, over 36,000 workers have benefited. In fact, our goal of helping 20,000 people over three years was exceeded in only 16 months.

This program provides up to \$28,000 per person to help unemployed, laid-off workers acquire the skills training that will assist them to find employment. For persons with disabilities, the current maximum agreement of \$28,000 can be exceeded.

**0930**

In the 2010 Ontario budget, the government reaffirmed its commitment to help laid-off workers by making Second Career a permanent program. By the end of 2011-12, we anticipate about 58,000 people will have benefited from the program.

We know the program is working. Each day, the ministry hears of people who have started a new job thanks to Second Career. There's Jana Tavares, who was laid off as an accounts receivable administrator. Now she's working as a medical office assistant at a cardiology lab in Hamilton. There's Cathy Cope. In the spring of 2008, she was laid off from her job as an administrator and bookkeeper. Her husband was laid off at the same time. Second Career gave Cathy the opportunity to train as a career and work counsellor at George Brown College. She graduated her course and is today working at a Goodwill agency helping other people find education, training and jobs.

Second Career is changing lives for the better. A survey of Second Career students shows that 93% of students have graduated, and 61% have found jobs within an average of three months.

We're helping Ontarians prepare their skills and education for the jobs of the future. Certainly, the new economy presents exciting opportunities. Our government has focused on green energy and aims to be a global leader in this emerging sector. We've invested \$5 million over two years to ensure Ontarians obtain the skills and training for the high-value green jobs being created. We're also investing \$45 million over three years in a skills training program to help aboriginal people and northern Ontarians benefit from significant resource development opportunities, including in the area known as the Ring of Fire.

A key part of our plan to strengthen skilled trades is to boost the profile of apprenticeship and reach out to potential apprentices. These efforts have paid off. Today, more than 120,000 apprentices across the province are learning over 150 trades in four sectors: construction, industrial/manufacturing, motive power, and service. This is twice as many apprentices as were registered in Ontario in 2003. To support them best, our government has enhanced Ontario's apprenticeship system. We work with our educational partners to ensure programs meet the needs of apprentices, employers and the new economy.

We've provided \$55 million over three years through the apprenticeship enhancement fund and the Ontario skills training enhancement program so that colleges and training centres can increase their capacity and obtain the most up-to-date equipment, facilities and infrastructure.

And we offer more incentives for more employers to take on apprentices and support programs that set more Ontarians on the road to receiving their certificate of qualification. For example, the Ontario youth apprenticeship program is helping students begin apprenticeship training while still in high school. In 2009, more than 25,000 young people from 71 district school boards participated in this program.

Our government has also strengthened the future of apprenticeship by establishing the Ontario College of Trades. The college of trades is the first of its kind in Canada. It is a regulatory college that will build on the strengths of Ontario's skilled trades and apprenticeship system. It will encourage more people to work in the trades and help the system better serve employers, skilled tradespeople, apprentices and consumers. It will give industry a greater role in recruitment, governance, certification and apprenticeship training, and it will put skilled trades on a similar footing with teachers, doctors and nurses, who already have professional colleges.

The first steps have been taken. In May, our government announced eight industry leaders who will make appointments to the governance boards and act as the transitional board of governors.

On September 24, 2010, we announced that Scott Macivor had been hired as a special advisor to the board. He will work with the transitional board of governors to bring together personnel and help put in place the policy and procedures for the college.

On October 20, 2010, the ninth and final member for the appointments council was nominated by cabinet, and the review and approval of this nominee by the standing committee and the Lieutenant Governor is expected shortly.

The Ontario College of Trades is being phased in and will be fully operational in 2012.

Post-secondary education and training is a critical component of our Open Ontario plan for the future. A highly skilled, highly knowledgeable workforce is key to our success in a global economy.

Ontarians must be able to reach their full potential and contribute at their best for Ontario to be at its very best.

That is why our government encourages and supports education and training. That's why we continue to invest in a post-secondary education and training system that is modern, accessible and responsive, and that is why Ontario will continue to compete and thrive in a rapidly changing world.

That concludes my opening comments. Mr. Chair, I look forward to the comments and questions of all the members of the committee, unless you're going to tell me I have 10 minutes left, at which point I can—

**The Chair (Mr. Garfield Dunlop):** You've actually got a minute left.

**Hon. John Milloy:** A minute left. Well, we'll stop there.

**The Chair (Mr. Garfield Dunlop):** Okay. Thank you very much, Minister. We'll now go to the official opposition. Mr. Wilson?

**Mr. Jim Wilson:** Thank you, Minister, and again, congratulations on the new addition, Michael, to your family.

Since you sort of ended with talking about trades and apprenticeships, something comes to mind that we've discussed in the House and you discussed here last year. Did you ever do a study on whether, if you had a one-to-one ratio in the trades, journeyman to apprentice, you could fit more people into the apprenticeship stream?

**Hon. John Milloy:** I'm happy to talk about ratios. I'm not aware of any study that's been done by the ministry of that nature.

The issue of ratios is a large issue. It talks about how we're going to make sure that apprentices are properly trained. There are safety considerations. There are considerations of how many journeypersons are going to emerge at the end. It's a complex issue. I think last time they were actually joking with me because, in answering a question from your colleague, I went back to medieval guilds and the whole history of ratios and the number of apprentices assigned to each journeyperson.

But as you know, this is an issue that we're moving on. Part of the reason for the establishment of the college of trades was to have them take a look at the whole issue of ratios, all the factors that go into it; to determine the best way to fix a ratio; and then to undertake a review so that we can constantly ensure that the system is modernized.

As to your question, I will turn to the deputy. I'm unaware of any study in the ministry, and she's indicating no.

**Mr. Jim Wilson:** Why wouldn't you, when so many small and medium-sized businesses—I mean, they constantly pepper us with the complaint that they'd be able to hire more young people and get them on their way in the apprenticeship stream if the ratios were changed, like they've been changed in other provinces like Alberta.

**Hon. John Milloy:** First of all, I point out that we do review ratios from time to time and we have changed ratios in a number of trades over the last number of years.

The issue of ratios is a complex one. As I say, there are health and safety implications, there's the teaching

implication. Therefore, we recognize the fact that there are concerns out there; that there are people who say we need to take a look at the system. But as I've sat down and met with people on all sides of the issue—I shouldn't say "sides of the issue," but people with all views on this issue—all of them have said, "Look, we need a standard set of criteria by which we can look at a profession and say what would be appropriate in that case." That was part of the impetus of the college of trades: to have a body that was composed of representatives from across the sector who could sit down, who could come up with the criteria by which we should look at ratios and then start to review them to make sure that they're updated.

**Mr. Jim Wilson:** Do you want to give us an overview of who and what sectors make up the college of trades?

**Hon. John Milloy:** Sure, I'd be pleased to. I'll talk a bit about the college of trades. Its establishment through legislation begins with an appointments council, which operates as a transitional board. I mentioned in my opening remarks that they've brought on Scott Macivor, who has come in as a special adviser and is starting to do some of the groundwork.

The board itself has a good cross-section of individuals, and as soon as I get my list I can go through them. I'm very happy to talk about the different sectors that are there.

The chair is Mr. Rod Cameron, who actually hails from the London area. He was the dean of technology at Fanshawe College in London for five years. He previously served as dean of apprenticeship training and motive power technology. He himself, I understand, was an apprentice in the automotive sector.

We have Sue Allen, who is—in fact, I know Ms. Allen has appeared in front of committee. She has been someone who has worked very hard to look for more women in apprenticeship. She's a professional tractor-trailer operator, a certified fleet trainer and examiner, and a transportation specialist for film and television productions. She's an equity and diversity specialist. She has coordinated programs to encourage women to train in the skilled trades at Centennial College's school of transportation in Toronto, and developed and implemented the women's STOP, skilled trades opportunities program, at the college to recruit and train more women to apprentice in motive power trades.

**0940**

Patrick Dillon, of course, is the business manager and secretary-treasurer of the Provincial Building and Construction Trades Council of Ontario and himself a certified electrician, a journeyperson, a former apprentice. He represents the unionized construction sector.

Colin Heslop is a national director of the skilled trades department for the Canadian Auto Workers. He's an industrial electrician and a construction electrician with a red seal certification.

Hugh Laird is executive director of the Interior Finishing Systems Training Centre and the Interior Systems Contractors Association of Ontario. Again, Mr. Laird has extensive experience. He's operated the largest



drywall training centre in North America, assisting thousands of young men and women to complete their apprenticeships.

We have Gail Smyth, who is the executive director of Skills Canada—Ontario. I think most members are familiar with that outstanding organization which promotes careers in the skilled trades and technologies to young people in Ontario. Gail's efforts and those of her organization have been tireless in promoting apprenticeship in skilled trades.

We have Allan West. He is vice-president and director of the K.J. Beamish group of companies. He's been involved in estimating and project management of roadwork projects for more than 30 years.

And we have Norman Wolfson, president of Lecours Wolfson Ltd., a recruitment firm servicing the North American foodservice and hospitality industry. He comes forward, obviously, from that perspective.

We also, as I mentioned, have put forward the name of a final member, Madame Côté. She has not been appointed. She represents the north. She represents another service industry in terms of her background and is also a francophone member, but obviously, as I say, her name has not yet been looked at by the standing committee.

**Mr. Jim Wilson:** Do you have anybody from what they call the "open" shops, the smaller, non-unionized shops? Beamish is private sector, but they're rather large. Everybody else seems to be rather academic or unionized.

**Hon. John Milloy:** As I say, I think Al West—

**Mr. Jim Wilson:** How is the small business man or business woman from my Main Street represented?

**Hon. John Milloy:** Well, they're represented a number of ways. First of all, I'd point out that Mr. West obviously comes from a private sector firm. There are individuals on it—and I reference Gail Smyth; I reference others who have day-to-day contact with employers. But more importantly, the work that's done by the college right now is really two streams.

One is getting the college up and running, and they certainly have a mandate to reach out to everyone who's involved with apprenticeship and skilled trades. When you talk about the small business person, they're going to be reaching out to them, asking them to take a role on the college in terms of the final governance structure that's put in place in terms of the various industry committees.

The second stream that they're working on is they are looking at the issue of ratios and compulsory certification, and they will be holding—we can certainly get you the dates—public meetings to get input on a process by which they can look at both these issues. We are reaching out to everyone in the sector, including the small business person that you're referencing.

**Mr. Jim Wilson:** Okay. I would appreciate the dates.

A little different tone—I've never been asked this question in 20 years, so maybe you can help me out. A little bit of a different twist on student aid: I had a town hall meeting for my riding last Thursday and a lady by

the name of Heather was asking a question on behalf of her daughter. Her daughter is in Australia, where it's costing her about \$50,000 a year to take a master's degree in art therapy. Apparently, in Ontario and Canada, we don't offer that degree at the master's level, so in order to do what she wants to do in life and in her profession, she's had to go to Australia, and I guess the family is at their wits' end in terms of financing the daughter through school.

The question was—as I said, I've never been asked it before, but I told her I'd check it out—whether, through OSAP or any other means you can think of, there is any support for an Ontario student taking a rather unique course in another country because it's not available here?

**Hon. John Milloy:** Sure. I'd be happy to respond. Deputy, I don't know if we want to call on an official or if you want to tackle that? Someone from the OSAP branch, I think. Is that okay if we ask—

**Mr. Jim Wilson:** Yes, whoever. I just want to make sure we uncover all stones for Heather.

**Hon. John Milloy:** Nancy?

**Ms. Nancy Naylor:** I'm Nancy Naylor. I'm an ADM in the Ministry of Training, Colleges and Universities. Our division includes OSAP.

The answer is yes, most likely. We support Ontario students at hundreds of overseas post-secondary institutions. We would probably have to ask you offline the exact institution that this young woman is studying at and confirm that that is a recognized institution, but this young woman, depending on her financial circumstances, would certainly qualify for OSAP assistance if she chose to study overseas.

**Mr. Jim Wilson:** Okay. Who do I get back to on that with the information? I'll probably have Heather get back to you.

**Ms. Nancy Naylor:** Sure. My name is Nancy Naylor. You can check with me or we can get in touch with your office through the Chair's office.

**Mr. Jim Wilson:** Thank you—very helpful.

Speaking just a couple of weeks ago, Minister, to the College Student Alliance, they had two interesting questions for me which would be better answered by you. One is, there's a rumour out there that your party's thinking of bringing in a four-year tuition freeze. Is there any truth to that? Are you thinking of a tuition freeze of any duration in the next few years?

**Hon. John Milloy:** We are at present in the middle of a two-year tuition framework, which I suspect we may spend a bit of time talking about over the next few hours. I can tell you there has been no decision made as to what's going to happen. Following that, obviously, we will have to signal to institutions—it's usually around February or March of the year before, so that would be 2012—as to what would move forward, but no decisions have been made as to what the next iteration will look like.

**Mr. Jim Wilson:** When you did have the two-year tuition freeze, it occurred to me—and I hear from a lot of students—that it was beneficial, I suppose, for the

students who were in the system during those two years already in college or university, because they weren't going to get an increase, and perhaps beneficial if you were just going in for the first year of the freeze, but when you exited that freeze, we had tuitions with as high as 8% to 16% increases in one year. Are they inherently fair?

**Hon. John Milloy:** I respect the question, but I'm not sure how—tuitions are capped. The overall average is capped at 5%; professional and graduate programs are 8%. For a student entering a program—so in year one, it's 4.5% in undergrad, and then moving through it, it's capped at 4%. When the freeze was lifted, it was replaced by a cap, so I don't know how tuition could have jumped by 16%.

**Mr. Jim Wilson:** We had examples, and we've raised them in the Legislature. In some cases, apparently, that was the case. Again, do you think it's fair to all students, particularly students who will be coming in after a tuition freeze, given there's pent-up revenue demand there?

**Hon. John Milloy:** Our view has been that, first of all, we've had a framework in place which has controlled tuition and has allowed students to plan or anticipate what their costs would be. But at the same time, our focus has been on increasing student aid, increasing OSAP and making sure that financial issues are not a barrier to a student who wishes to pursue post-secondary education.

I meet regularly with student groups and we always have very lively discussions. At the end of the day, a tuition freeze is of a benefit to—I point out I come from a high-tech community, where we literally have billionaires. It will help their children and it will also help the single parent who's struggling to get their child into university or college. But if it's a funded tuition freeze, as it was in the first part of our mandate, it's going to cost a considerable sum of money. So the question is, should we take those resources and aim them at those who need it the most? That's what we've done. We've kept the cap on, the framework on, so that there is predictability and we don't have wild fluctuations, and we focus it on who needs it the most.

0950

**Mr. Jim Wilson:** If you're not able to fully fund it in terms of making up any expected increase of tuition to colleges and universities, will you be serving the colleges and universities—asking the presidents, for example, what the effect would be of a partially funded, if not fully funded—

**Hon. John Milloy:** Yes. We're getting into the hypothetical of the hypothetical, I guess. The freeze that we had in place under our government was funded. We then brought in the framework, and I want to assure you that I talk regularly about tuition with the colleges and universities. Certainly when you take a look at the various revenue streams that exist, we obviously take that into account when we look at the system. So we're going to continue that dialogue as we move forward, as I say, when we move to that official point, in what I suspect

would be very early 2012, when we will have to signal to the system what the guidelines are for moving forward.

**Mr. Jim Wilson:** Just along this revenue and expense line of questioning, David Naylor mentioned that just as a result—I saw in a press article right after the arbitrator's ruling—off the top of his head, he thought, when all was said and done, he'd have about a \$4-million shortfall or he'd have to find \$4 million—I think it was in that range—as a result of the arbitrator's ruling there at the University of Toronto. If, across the board, other settlements are in the same range as what happened at U of T, have you costed out what that's going to cost the treasury in Ontario?

**Hon. John Milloy:** I'm certainly not in a position to comment on an arbitrator's ruling. I think the government has made its position very, very clear in terms of the broader public sector and what our expectations are on bargaining going forward. We continue to work with the sector and to call on everyone to abide by those expectations in light of the financial difficulties that the government is facing and that the province is facing.

**Mr. Jim Wilson:** The government keeps saying that, other ministers more than you—the finance minister, for example—but the arbitrator was pretty clear. I think he said he wasn't going to be a minion of the government of Ontario, the McGuinty government. Do you have any plans to legislate a 0% wage increase, or are you just going to spend the next 12 months telling the taxpayers that you're protecting them, but at the same time not really doing anything about it?

**Hon. John Milloy:** We've already seen examples of the zero compensation increase going forward, and I can share a number with you. The University of Waterloo and the University of Waterloo Faculty Association negotiated a five-year agreement starting May 1, 2010, and the terms of the agreement regarding scale are a 0% increase in each of the first two years. Trent University and OPSEU Local 365 ratified a two-year agreement with a 0% wage increase per year effective July 1, 2010, till June 30, 2012. The University of Windsor and CAW Locals 196 and 2458 recently ratified a three-year agreement with 0% wage increases in the first two years.

So I think there is a willingness out there to sit down and negotiate and to recognize that this is part of the plan to address some of the revenue pressures that the province is feeling, the lack of revenue. It's not a secret.

**Mr. Jim Wilson:** No, it isn't.

In the estimates book, can you point to where your planning is around this area? Is there an increase for some of these expected arbitrations?

**Hon. John Milloy:** We provide funding to the colleges and universities based on a variety of factors, mainly around the issue of enrolment. We do not directly fund wage increases. Wages are part of what the colleges and universities spend the government transfer on. There's not a pay envelope, so you wouldn't find it in estimates. The funding is a BIU, a basic income unit, which is how we fund enrolment. There are also special operating grants, which are ancillary funding that goes



for certain projects. There are also things like support for first generations, support for aboriginal students—some of the things that I mentioned in my statement. But you would not see in the estimates book a line marked “salary” to talk about the demands, no matter what is coming forward.

**Mr. Jim Wilson:** I think, if I’m reading the estimates book right, you’re going to spend about 17.8% more this year on capital and operating.

**Hon. John Milloy:** I’m very happy to get into the book, but maybe I’ll—

**Mr. Jim Wilson:** Just generally, I think I would like that. I’ll just give you a heads-up. So often, we have voted over the years and not gone through the actual line items. So, maybe we could do that.

But first, just generally: Of that 17.8% increase, I can’t go out and tell people that a certain percentage of that is for wage settlements?

**Hon. John Milloy:** No. This year, the bulk, putting aside capital, of the increase—virtually the entire increase is to support 20,000 more students coming into the system. Part of that support may involve hiring more faculty. So, the university may decide to put that, as I say, to hire a new professor or a new teacher, so it’s translated that way. It may go to purchasing new periodicals because they’ve introduced a new program. They’re allowed to translate, within certain guidelines, the money that they receive for enrolment increases. As I say, that’s the thrust of the increase this year in terms of operating.

Maybe I’ll ask the deputy too, if you want to pick up on it or correct me.

**Mr. Jim Wilson:** I wouldn’t do that, Deputy, if I were you. I’d find a very diplomatic way to do this.

**Ms. Deborah Newman:** You’re absolutely right, Mr. Wilson, and the minister is absolutely correct.

**Mr. Jim Wilson:** They might just retain you.

**Ms. Deborah Newman:** There has been an increase in the budget, as you point out, of \$1.2 billion between 2009-10 and 2010-11. As the minister points out, the bulk of that increase is to support increased student enrolment in the system. We’re looking at flowing additional operating grants to colleges and universities to support that growth of an additional 20,000 students in the system this year. As well, we’ve increased OSAP funding to support student need with that growth in enrolment. The balance of the increases is increased funding for Second Career and employment programs and literacy programs. Finally, on the capital side, it reflects the increase as a result of the knowledge infrastructure program and the 49 projects that we have under way over two years under that particular program.

**Mr. Jim Wilson:** Did you get an increase from Ottawa at all to help cover the increased enrolment, for example?

**Hon. John Milloy:** The federal transfer, the main one, obviously, goes to the Ministry of Finance and is part of the general transfer—

**Ms. Deborah Newman:** CST.

**Hon. John Milloy:** The CST. I got it right. I knew it.

The CST that comes in, of course, goes to the Ministry of Finance as the central agency, and then our budgets are apportioned from that.

If, Mr. Wilson, you’ll allow me to go back to your earlier question, the budget made clear that the funding was for this enrolment increase, and we’ve certainly made it clear to institutions that there’s no new money for increased compensation costs. We expect the two-year freeze. So, it was very clearly communicated that this was for enrolment only. As I say, when you say, “What’s the money used for?”, they then translate that into the costs associated with having more individuals on their campuses.

**Mr. Jim Wilson:** To make sure they do spend it on creating more spaces and meeting the enrolment challenges, how does that work on the institution level, between the ministry and institutions? Is there a regulation?

**Hon. John Milloy:** I may ask the deputy and, through her, maybe some of the officials to go through exactly how it works. There is a report-back that happens in November, where we’ve negotiated or talked to each institution about the number of additional students that they will be taking. There’s a report-back in November and a reconciliation that takes place.

**1000**

Deputy, perhaps you or ADM Naylor may be able to provide a little more technical detail, a more robust answer.

**Ms. Nancy Naylor:** Sure. Very briefly, what we did with the funding for 20,000 new students was we asked colleges and universities to give us a projection of their enrolment growth for the 2010-11 academic year. That confirmed that they were all on track on planning for something very, very close to what we had been projecting.

For universities, whose enrolment is funded in-year, we are flowing about 75% of what we call the planning allocation. Once their enrolment is confirmed, based on reporting on November 30, we will finalize the funding flow to universities and true it up to their exact enrolment.

On colleges: The funding formula for colleges lags the recognition of enrolment a little bit. That brings a little bit more revenue certainty to colleges. We are planning for the enrolment increases that they’re experiencing this year, and that will begin to be reflected in their revenue in the coming years.

**Mr. Jim Wilson:** On the capital side of this increased enrolment pressure, are you satisfied, Minister, that there are enough physical spaces for all the new students?

**Hon. John Milloy:** Yes. One of our successes over the past few years has been a significant increase in capital in our colleges and universities. You saw it, I believe starting in the fall economic statement in 2007 or 2008—I’ll have to refresh my memory—and moving on, certainly, to the KIP program, the knowledge infrastructure program, which was put together with the federal government, \$1.5 billion.

We've seen a significant increase in capacity at our colleges and universities. Is it enough for the continued growth that we see? No. We acknowledge the fact that we're going to have to do more. One of the things that we're doing is working very closely with the Ministry of Infrastructure to look at a long-term capital plan for the post-secondary education sector. We have worked very closely with the sector to get their list of priorities, everything from new initiatives they want to undertake to upgrades to simply the addition of more classroom and teaching space. There is very comprehensive work that's going on within our ministry so that, as we move forward and as we see this continued growth in the sector, we can again work with the Ministry of Infrastructure. These are ongoing discussions that are going forward.

I'll turn, maybe, to the deputy, who may have the statistics off the top of her head. I believe 2007 was the first wave of capital, and it preceded, I think, the 2008 budget; 2009 was KIP.

We've created in the neighbourhood—and I will turn to the deputy, if she has the figure, or one of the officials can give the figures of the number of spaces. I believe it's over 30,000 new spaces.

**Ms. Deborah Newman:** Yes, again correct, Minister. There were 36,000 additional spaces created through the knowledge infrastructure program.

As the minister indicated, that expansion through the knowledge infrastructure program has enabled the institutions to accommodate the increased numbers of students. Given our forecast of continued enrolment growth over the next five years, we do need to continue to plan long term for further investment in capital spaces.

**Mr. Jim Wilson:** In the knowledge program, is all that money gone now, all that capital money spent?

**Hon. John Milloy:** Yes, in the KIP program, it has all been allocated. We obviously are working very closely with the institutions, in partnership with the Ministry of Infrastructure, to make sure that the projects are on track. I believe a number of them have already completed, or are in the process of being completed. I certainly seem to get a number of invitations to go out and cut a ribbon for new buildings that are coming up.

**The Chair (Mr. Garfield Dunlop):** You have about 30 seconds left, Jim.

**Mr. Jim Wilson:** I'll just leave this with you then: The Canadian Federation of Students had asked me to ask you exactly how the BIU is calculated. What are the components in it? So maybe—

**Hon. John Milloy:** And we've got four seconds? No, I'm kidding.

**Mr. Jim Wilson:** I know it's complicated, so—

**Hon. John Milloy:** Maybe we can pick that up.

**Mr. Jim Wilson:** But it might be fascinating for all members to know how it is calculated.

**Hon. John Milloy:** Sure.

**Mr. Jim Wilson:** I'll just leave it at that. Thank you.

**The Chair (Mr. Garfield Dunlop):** Okay, thanks very much. We'll do 15 minutes with the third party and we'll adjourn for question period. Mr. Marchese.

**Mr. Rosario Marchese:** Mr. Milloy, I'm just going to make some comments for a while, just to present another side.

I went to bed last night to a beaming Rob Ford and I woke up this morning to a beaming Rob Ford. It's a wonder I got up this morning.

**Mr. Ted McMeekin:** The sun was shining.

**Mr. Rosario Marchese:** But you're right: The sun still shines the next day.

I look at all the fine assistants you have. Every time we see each other, I say, "How come we can't share some of that skill with the opposition in the spirit of collaboration?" Split the group up, right? Seven or eight for us—even proportionally, 10 for them.

But minister, I've got to tell you, I'm a bit worried about where we're going with respect to the funding and with respect to the quality of education of our post-secondary students. I know you paint a rosy picture, and you've got to. I'm sure all of you really believe that everything is great, but I have to tell you, I don't feel that way. I think that there is another side. There's a underbelly to this that we need to talk about.

Yes, we have a global recession; so did Bob Rae. When we had that recession, I remember the Tories and the Liberals saying that we didn't have a revenue problem, we had a spending problem. It's funny to hear you say today that you've got a revenue problem but you're getting over it and things are getting better.

From time to time we do face these problems, but in that context, I say to myself, how do you find \$5.2 billion to give away to corporations? We've got a \$20-billion deficit. It's going to be hard to pay that deficit. It's going to be harder now to get rid of that deficit than it was in 1995 because the deficit was half the size. The Tories inherited a good economy and they were able to pay off that deficit. In fact, we would have been able to pay it off quite fast in an economy that has grown for 10 years. But it's going to be tougher now because we don't see growth in the way that we have seen it from 1995 on. In that context, it's going to be really difficult to make the investments that we want to make in the post-secondary institutions, and we recognize we have to do that.

So giving away \$5 billion to corporations and more—and it's forever—is to me incomprehensible. We're giving money away without any strings attached, with the hope that somehow they're going to create jobs. Corporations are going to say, and they have been saying for the last 20 years, "You need to cut our taxes some more." Every year they say the same thing and every time they say, "If you cut our taxes, we're going to create more work," yet unemployment seems to be 7%, 8% all of the time. To me, it doesn't make any sense that we simply give away money without any obligation attached to that money and how it gets spent.

Then you give away \$1.2 billion in income tax cuts, and I would have understood it if you'd given income tax cuts to people who earn \$40,000, \$50,000, even \$60,000. But to give away money, to cut my taxes, yours, and so many of the civil service that earn more than we do, to



cut their income taxes, in my mind, doesn't make any sense. To cut taxes of civil servants, who work for us, who make a half a million dollars or \$700,000 or \$1 million, makes no sense.

When you combine those two in the context of a \$20-billion deficit and in the context of having to invest in our post-secondary education system, I just don't get it, I just don't.

I see problems in two areas: first, the quality of our education, and second, the incredible debt shifting that is going on. We are passing on debt to our students by way of tuition increases. The average debt for most students is now 25,000 bucks. It's just crazy. My debt was \$1,700. It took me forever to pay that, and that was in a growing economy. I don't know how people are going to pay off their debts, I really don't. Maybe doctors and lawyers who have \$80,000 to \$120,000 debts might be able to pay it off eventually—I suppose they will—but it's an incredible burden that they bear.

1010

I know that those who would like to become doctors or lawyers and come from modest homes are thinking twice about their ability to be able to pay such debts. I believe it discourages a lot of students who come from modest-income homes from going into law, medicine or pharmacy because of the tremendous cost of deregulated fees. I think it has tremendous psychological, physiological and economic implications for a lot of our students—sociological implications. A lot of students who end up marrying with other students who have huge debts are going to have to decide whether they can afford to buy a car, even; whether they can afford to live in Toronto, whereas you know, in my riding, you can't buy a house for less than 500,000 bucks, and that's a house that's not in good shape. That's a tiny little house, by the way. They won't be able to live in Toronto unless they inherit some money from their parents, so they have to go outside of Toronto, naturally. They have to decide where they can afford to live. That has sociological implications.

Tremendous debt makes it difficult for students to make decisions about how many children they're going to have; whether they can marry and when; whether they will delay marriage; whether they will delay having children; whether they will have one child, possibly two, because they might not be able to afford it. These are profound implications that your government—few governments—ever bother to think about.

You've got a lot of people out there saying we should increase tuition fees even more; God bless them. I don't understand that. I don't understand how they don't know that debts are incredibly high now and that you've got a whole lot of students working to try to make ends meet. You've got many studies that show that those who work as they study are probably not doing as well as they should. I mean, it doesn't take a scientist to realize that if you're working, you're not going to have the concentration to be able to do well in university. So you've got a whole lot of students working to try to deal with debt. That has implications for their studies. It probably affects

them psychologically. If they're doing poorly, I'm sure they're not feeling that great. I'm sure their parents are not feeling that great either.

So if you've got rich parents who are able to help their children with tuition fees, God bless. There are a few. It's probably about 10% of the population that helps out their kids, but the majority of parents are struggling now. You feel the anxiety. Much of the Rob Ford support is based on that anxiety, in my view: People are so stressed economically they don't know what to do, they don't know who to turn to, they don't know who to attack. The easiest thing, of course, is to attack those who are in government, whoever they are. You guys are next, I think, but that remains to be seen. They lash out at people that they perceive to be the problem, and in Toronto, Rob Ford offered a solution. I don't know what you're going to offer next year except your attacks on the Tories, but I don't know. I don't think it'll work.

So we've got serious debt issues that we can't continue to pass on. This shifting away from government obligation to students picking up more and more of their own education is just not, in my mind, a good thing, and the fact that we have increased tuition fees hasn't made the quality of our education system any better. People were hoping that if the government doesn't give enough, they've got to go after students. And after your supposed Reaching Higher plan and higher tuition fees, you would think the world would be a better place, and yet we've got complaints from everyone imaginable: not just students, but professors who I talk to, and a whole lot of departments that have been complaining for years about the fact that they've had to make cuts in their departments.

I am not feeling very optimistic about how things are shaping up. I'm feeling a little negative these days, and I think things are going to get worse, not better. In the next 10 to 15 years, I really believe we're going to have a great deal of social dislocation in this country, and it will have political implications and social implications.

If you look at your Reaching Higher plan, you would think that instead of being number 10 in per capita funding we would be somewhere in the middle, where you wanted us to be. Your Premier said that we were going to be in the middle of the pack at some point; we're last in per capita funding. I'm not sure how that addresses the issue of quality. It speaks to the lack of quality. We are last. If other little provinces can give better support to their students than we can, it speaks poorly of us.

Look at the issues of quality. We have the largest class sizes in the country. I don't know how you could feel good about that. It affects quality. The larger the class sizes are, the poorer the quality of that instruction.

We have more and more part-time, contract professors than ever before. Half of our college professors are part-time—half. I know why they're doing it; they're not getting enough money. If you don't get enough money, you can't afford to have full-time professors with benefits. It's easier to hire part-time people because they're

less costly. But how does that affect the quality of the education? I say a lot. If you've got instructors going here and there in different places, they're not available to the students to help them out. In universities, you've got a growing number of professors teaching on contract. It ought to ring bells for us. It ought to say something is not right about this, but it doesn't seem to faze a whole lot of MPPs or your government. That, I don't understand.

OCUFA just put out a report saying more and more classes have multiple choice questions as a way of dealing with the high numbers. Surely that speaks strongly to the lack of quality in our educational system. Multiple choice questions mean fewer students are writing papers, which means when fewer students write, the quality of their writing does not improve. The improvement of writing is based on writing and if you're not doing it, it can't be that good. When you've got professors complaining that the quality of the student coming from the high school level is not so great, how can we improve that when you've got more and more students who are not writing at the university level, because they're forced to, in many classes and courses, do multiple choice questions.

We've got \$1.6 billion in capital deferrals, OCUFA says. Maybe some of you think OCUFA is wrong; I don't know. It speaks to a quality issue and I really don't know how you're addressing that. Your estimates show that you're going to have an increase in the next little while—which we'll get to in questions this afternoon—but I suspect that much of that money is for just marginal increases, and also to fund the 20,000 new spaces that you want to have at the university level, which sounds good—most of it will go to foreign students—but I don't know how that improves the quality of our educational system.

In my mind, unless we deal with these questions, which speak to quality and alleviating the financial burden for students, we are leaving an incredible, terrible legacy that I don't think you want to be remembered for—

**The Chair (Mr. Garfield Dunlop):** One minute left, Mr. Marchese, on this 15-minute shift.

**Mr. Rosario Marchese:** Okay. I was going to talk about training and I'll just make the point. I'm very impressed with what Quebec does. They force the corporations to invest 1% if those corporations have \$1 million in payroll. I think it's a great idea. I brought it forth as a resolution. It was defeated by Tories and Liberals. I just couldn't quite understand it. If Quebec, Ireland and France can do it, where we oblige the corporations to make a contribution in their own training, you would think that Tories and Liberals would jump with joy and support it, because we all need to do this together, and yet I could not find one Tory or Liberal to support me.

We'll get back to this. Thank you.

**The Chair (Mr. Garfield Dunlop):** Okay. We'll begin this afternoon's session with the final 15 minutes by the third party.

With that, we'll recess until 3:45 or after routine proceedings this afternoon. Committee is recessed.

*The committee recessed from 1019 to 1553.*

**The Chair (Mr. Garfield Dunlop):** Thank you very much, everyone. We'll call the meeting to order. We are now resuming consideration of the estimates of the Ministry of Training, Colleges and Universities. There's a total of five hours and 15 minutes remaining. When the committee recessed this morning, the minister had completed his opening statement, as had the official opposition. The third party critic has used 15 minutes and now has 15 minutes remaining of his allocated time. Following the third party, the minister will have up to 30 minutes for a reply. After that, the remaining time will be apportioned equally among the three parties.

By the way, I want to thank the minister and the staff of the Ministry of Training, Colleges and Universities for being here again.

I now recognize the third party critic. You have up to 15 minutes to finish your half-hour leadoff.

**Mr. Rosario Marchese:** I'm not sure I'm going to use the rest of the 15 minutes, but I did want to finish my comments on the matter of training, because I really do believe that we have to do training differently.

When I read what Quebec has done, and they got it from Ireland and France, I was impressed with the fact that employers have to take on the responsibility, which is what their bill did with employers having a payroll of over \$1 million, that they've got to put 1% of their funding into training. I thought it was a great idea. It speaks to the collaboration that we have to have with employers.

Employers are quite happy for governments to spend our public dollars to train people. Employers are quite happy to say, "We've got a gap." There are all sorts of manufacturing plants that are short of certain employees, and as more and more retire, we're losing that expertise and we're going to need to train them. But they don't step up to the plate to say, "We, too, will contribute to that."

In part, it's because some of them, where they now do it, are afraid of poaching, so many of them don't do it because of the poaching scenario, whereby you spend a whole lot of money training and somebody who doesn't do the training simply picks up the trained worker for maybe a slightly better salary and they don't have to worry about training anyone.

My argument in the bill—the resolution; I had it in the form of a bill, and at the last moment it had to be changed in the form of a resolution—would force the majority of corporations to make a contribution to training. In my mind, they have to be partners in this. It cannot simply be governments that do this job of training. Unfortunately, it is left to governments to do it, and whatever investments governments make now and then—you put in some money as well. I obviously criticized you in the beginning for not doing enough because the criteria was restricted. Then you opened up the criteria and people applied and now you tighten the criteria again because you simply don't have the money. You can't say that, but that's the effect of why you tightened the criteria, and you do so because you find yourself in a



deficit of \$20 billion. All ministries are forced to review their money, and one of the things that has to go, of course, is your training money. You'll be able to talk about how much money you've spent and blah, blah, which is fine.

I really do believe that the training that is being done is useful and people are taking it up, and I have a few questions for you—not now, but later—by way of how you're dealing with that. But I think that we've got to oblige the employers to pony up. They've got to put up some money.

As I say, your colleagues in the Legislature didn't support me. In fact, they spoke against it, as did my Conservative friends, of course, on this, because sometimes we find allies. Sometimes we're really close and on some issues we tend to not be so close. But I couldn't even find one Liberal to support me on that one, and I was puzzled by it. I'm just wondering whether or not—

1600

**Mr. Kim Craiton:** I thought about it.

**Mr. Rosario Marchese:** You did? But in the end, somebody twisted your arm. I am convinced a lot of progressive Liberals thought of supporting my bill, and then, in the end, they were probably pressured not. I am convinced of it. But you might comment on this in your half hour. I hope you do.

I really do believe we have to do training differently and it has to involve unions, it has to involve governments, and it has to involve the employer, and unless all three are doing it, we're just not going to get the right training to happen. That would be one way of making that happen.

I want to raise that in my comments. I know you'll comment on student debt in your half-hour response to me and whatever Mr. Wilson raised by way of questions. I know that you'll want to comment on the quality, because I really do believe quality is diminishing and a number of commentators have spoken to that as well. So I await your half-hour response.

**The Vice-Chair (Mr. Robert Bailey):** You've got some more—

**Mr. Rosario Marchese:** Oh, no. How much can one speak, Mr. Chair? Really, you get tired after a while.

**The Vice-Chair (Mr. Robert Bailey):** Okay, you're done. So we'll go to the minister.

*Interjections.*

**The Vice-Chair (Mr. Robert Bailey):** Are you going to respond to Rosario?

**Mr. Rosario Marchese:** He's got a half-hour response to us both.

**The Vice-Chair (Mr. Robert Bailey):** All right. Minister, you've got 30 minutes for your response, if that's the case.

**Hon. John Milloy:** All right. Sorry, Mr. Chair, there was a bit of a technical problem there.

I want to begin, actually, by noting for the record that Mr. Marchese was at a loss for words, which I think is a first in my seven years here in the Legislature.

**Mr. Rosario Marchese:** Well, I'm not sure about that.

**Hon. John Milloy:** I'm very happy to address many of the issues that were raised both by Mr. Wilson and Mr. Marchese in their opening statements and the exchange that I had with Mr. Wilson.

I want to start on the PSE side. Although we just heard about training, those who were here in the morning know that Mr. Marchese spoke in the first part of his session on the whole issue of PSE, post-secondary education, as did Mr. Wilson. A good chunk of what he spoke about was on that subject. I want to thank them both for the comments they brought forward from the perspective that they brought.

It's interesting, when I was first elected at Queen's Park, a more seasoned veteran politician from my community came to me and said, "You know, John, you're going to be going to Queen's Park and there's going to be lots of discussions of education. It's going to be one of the big issues that every provincial politician deals with." She said to me, "Play a little game. Go to meetings or discussions and see how many hours can go by before the word "student" comes up. I'm ashamed to say that I have been in meetings and discussions during the seven years here where everyone's talked about everything but students. So I want to congratulate Mr. Wilson and Mr. Marchese because they went right to the core of the issue, which is students. Notwithstanding the good research that goes on in our colleges and universities—and we had a chance last year when I was here in my capacity as MRI to talk a great deal about that—at the end of the day it's about students and it's about the student experience. It's around many of the issues that were raised primarily around affordability, issues around tuition, student debt and, of course, quality.

I want to begin with the issue of affordability and what's happening in the system right now. We get lots of numbers thrown at us. My measurement is always, is post-secondary education affordable? Is it affordable in absolute terms? And if there are barriers that exist there, is there assistance that's available to those students who are in need, those students who can't afford to move forward? I believe the answer to both of those in the province of Ontario is that education is affordable and that if someone does experience a barrier because of finances, there are tools there that can help that student pursue their education.

The most obvious—and I begin with this often when I have this discussion—is that we have 140,000 more students in our colleges and universities than when we took office, which I think is a testament, obviously, to the institutions themselves and everyone who works there, but I think it also demonstrates the fact that higher education is accessible in the province of Ontario, because not only are students streaming to our colleges and universities, they're streaming at even higher numbers.

Right now, 40% of 18- to 24-year-olds are attending college or university today, which is up from 35% in 2002-03. The number of graduate students at Ontario universities has increased by 53% since 2002-03. I think what Ontarians realize, and certainly what our govern-

ment has highlighted, is that post-secondary education means higher lifetime earnings, a lower chance of unemployment and a much more secure future. Certainly, the data that I've seen throughout the recession is that it was not a fair recession. It hit those who did not have post-secondary training—and I include apprenticeship and other types of training, not just college and university—much harder than folks who had high school or less.

We're committed to maintaining the affordability of college and university enrolment. We had a bit of a discussion this morning, I think it's worth reviewing, about our tuition policy. We do not allow tuition to float. It's not open-ended. It can increase, but it can only increase within a very set framework. That framework is 4.5% for basic college and most undergraduate programs. When you're entering the program, as you move through it, it's allowed to increase at 4%, and then 8% for high-demand college and university professional and graduate programs. For each institution, the overall average tuition increase cannot be greater than 5%. What does that mean? That means for this year, average tuition increases will be limited to no more than \$100 for about 85% of college students and \$200 for about 67% of university students.

Furthermore, and this is something that we don't talk about enough, institutions don't get a free ride on this. They are told that they can increase tuition within this framework, but they have to take on certain responsibilities, and one of them is to participate in the ministry's student access guarantee, which makes sure that institutions provide students with additional financial assistance they need to further their studies. We ask that colleges and universities contribute at least 10% of the tuition fee increase to bursaries and other student assistance programs that provide financial aid to students most in need. Ontario's post-secondary institutions have been complying with the cap since 2006, and we've never had any problem where we've had an institution that has, shall we say, overshot that cap as it's moved forward.

That's the tuition side. The other side, of course, is financial assistance, and over the past five years, we've invested under each. Reaching Higher: an additional \$1.5 billion in financial support for students. We've introduced extensive measures to help students repay their loans and provide relief to those in greatest need.

I want to talk a little bit about this issue of debt. In 2005-06, the government brought back the Ontario access grant, a non-repayable grant which is available to students from families earning up to \$82,000; in other words, moving students in that portion of their OSAP from loans to grants. Last year, about 58,000 students qualified for these grants. That's at the front end. Then, at the back end, we have the Ontario student opportunity grant, or OSOG, which limits the amount of debt students have to pay to \$7,300 for two academic semesters. The student access guarantee ensures that students receive enough OSAP aid and institutional funds to cover their tuition and book costs. These institutional funds, as I say, come from setting aside this 10% of revenue.

The other change that we brought forward, as I say, if we want to talk about the student debt front, is that we now have an interest-free, payment-free grace period for the six months following the end of a student's studies. This gives students a chance to work and save before they have to start repaying their student loans. I've got to tell you that that was probably the most common presentation that we heard from student groups—I meet with them regularly. What we had in the past was a six-month payment-free grace period, and yet the interest accumulated. The students said, "Look, the experts will tell you, it takes about six months to get your feet on the ground and get organized. Why should we have to pay interest during that period?" We agree, and we brought in that change.

#### 1610

In recent years, what has this meant? As I said, I want to talk about debt. In recent years, debt levels have remained constant. In fact, last year, the average repayable debt decreased slightly for university students and is actually lower than it was in 2002-03. As I mentioned, I believe, in my earlier remarks, default rates are at the lowest levels they've ever been: currently 8%. In 1997, when the government first started measuring default rates, the default rate was 23.5%.

We have more students coming into the system. We have a six-month period to help them once they finish their studies. We have upfront grants. We have the OSOG, which comes at the end to help them. All these are aimed at the whole issue of indebtedness.

What about getting them through their program? That, of course, is the OSAP program. We've taken a very careful look at the program, and we continue to take a careful look at the program. I was very pleased—and I've been around the province speaking at many institutions to student groups and others—about some of the changes we've made to OSAP, particularly this last spring.

As part of the Open Ontario plan, we provided an additional \$81 million in financial support for college and university students, to expand and modernize the OSAP program. We've worked to modernize some of the red tape around it. We've worked to make sure that students are able to access all that is owed to them, all that is available to them, under the program.

I just wanted to spend a minute or two talking about some of the changes that we've brought in. We're allowing students to keep more of the money they earn from part-time jobs while they're in school by boosting weekly loan maximums and doubling the student income exemption. Many years ago, it was decided that a student could work—and it seems reasonable—about nine or 10 hours a week. At that point, the minimum wage was about \$5 an hour, so students were allowed to earn \$50. Many, many years later, the student groups kept coming to me and saying, "Wait a minute. The minimum wage is now around \$10; we should be allowed to earn \$100." In fact, we've doubled it. I believe it's actually at \$103.

We've increased student loan limits. They're now \$360 a week for single students and \$560 for married students and students with children.



Another change that we've brought in: earlier I mentioned the student access guarantee. In the old days, this additional funding that institutions were obligated to provide to students who had need beyond what OSAP could meet—they were obligated to provide it but in many cases they asked students to come forward and fill out application forms. Students, to be quite honest—I met with them—were not even aware the program exists. We've made it automatic so that every student who's attending an institution this fall will be assessed for this additional need and will automatically be sent it.

We're also providing students, as I mentioned, the six months.

To help married students, we're reducing the share of income spouses are required to contribute to their partner's education by 10%.

We're doubling the OSAP vehicle exemption for students who are married or have dependent children. All of this adds up to more supports for students.

What I want to talk about as part of this whole package and what I'm going to spend a minute or two on is what I think is the most important piece of this OSAP package and an important piece around the whole issue of student debt, and that is Ontario's involvement in something called the repayment assistance program, or the RAP. Starting next Monday, November 1, Ontario will be officially signing on to the repayment assistance plan. It aligns with a federal program, and I believe we're one of about three provinces that have signed on to this program.

Quite frankly, I've been going around the province certainly saying to colleagues and others that we should be shouting this new program from rooftops because it's going to create, I think, a bit of a revolution in terms of this whole issue of student indebtedness and the ability of students to pay back the loans that they may have taken out in order to pursue their education. Certainly, one of the groups that I'm talking to the most about it is students who are in the system or thinking of entering the system to tell them that this program exists and should relieve some of the anxiety that Mr. Marchese spoke about in his opening comment. It's a payment relief program for qualified borrowers who are having difficulties making their monthly payment on their government student loans.

Those of you who, I'm sure, have talked to constituents or may have had student loans yourselves or have children or relatives with student loans know that at the end of your studies—and now six months after—you are assessed what you're going to owe through your student loan. That assessment takes place taking into account the fact that we've capped at \$7,300, the OSOG. They total up your debt, amortize it and you're given a monthly payment that you have to make.

As I say, Mr. Marchese spoke about the burden that that can place on students, particularly if they're having trouble finding employment in this tough economy or if they're finding employment where they're not receiving high income.

What the RAP program does is it allows individuals to go forward and say, "Look, I've been assessed at a certain amount through this amortized loan. This is the income I'm making. I'm looking for relief." What the RAP does is it offers relief under two stages. Stage 1—we call it interest relief—lasts for up to five years or until the borrower reaches 10 years out of school. In this stage, the government of Ontario pays some or all of the monthly interest for borrowers and whatever the borrower can pay goes towards the principal. I'll give you an example in a minute or two, but perhaps you're alone and you're supposed to pay \$500 a month. We assess you and say, "Based on your income, you can pay 25 bucks a month. That all goes towards the principal, and the government picks up the interest."

Stage 2, called debt reduction, follows stage 1. In this stage, the government of Ontario pays some or all of the monthly principal and interest until the debt is paid off. Each term of eligibility is for six months and borrowers with continued financial difficulty are required to renew their eligibility every six months. For borrowers with prolonged periods of financial difficulty, student loans are paid off in a maximum of 15 years, and for borrowers with disabilities their loans are paid off within 10 years.

In both of these RAP stages, eligible borrowers are required to make what is called an "affordable payment," as I mentioned. I just want to say that, in many cases, this affordable payment will be zero, and I'll give you an example.

A single borrower in RAP with an annual gross income of less than \$20,200 or a monthly income of less than \$1,684 before income tax and other deductions would be assessed at zero. The borrower does not have to make any payments toward their student loan while they're part of the RAP program, and if their income increases, they just join the repayment where they would have been naturally. There's no retroactivity. They don't have to make up lost time. As I referenced, after 15 years the entire thing will be paid off.

**Ms. Deborah Newman:** Any remaining debt would be paid off—

**Hon. John Milloy:** Yes. Any remaining debt would be paid off after 15 years.

Above the income thresholds for no payment is in the example I just provided. The affordable payment ranges increase gradually until it reaches a maximum contribution of no more than 20% of income. For the vast majority of borrowers on RAP, their payment will be much lower than 20% of their income.

To be eligible for RAP, a borrower's loans must be in good standing. They must complete a simple application, and it's online or paper. The borrower's calculated affordable payment based on their income and family size must be less than the calculated requirement payment based on their student loan debt, and if requested, they must provide some proof of their current income, such as a pay stub.

As I said, the RAP program starts in Ontario on November 1, and all Ontario student loan borrowers are

eligible for the program right away. For those Ontario borrowers who have already participated in the older repayment programs before November 1, formally called interest relief and debt reduction and repayment, their time in the older programs will be credited towards RAP. This will enable Ontario borrowers to benefit from the debt reduction provisions long before 10 or 15 years from now.

I've spent a lot of time on RAP, but I think it's going to set the stage for a new approach to student loans here in the province of Ontario, because under RAP—and I've raised this with officials, who have agreed—someone who keeps on top of the fact that they have taken out student loans and pursues this relief should never find themselves in default. Theoretically, we should have a zero-default rate in the province of Ontario because we are willing to take a look at every single individual's financial circumstances and adjust their monthly payments in a way that reflects them, including reducing them to zero.

As I referenced earlier, once they get their feet on the ground and start to make a healthy income, there's no retroactivity, there's no fines or penalties that they have to pay. They basically pick up that loan repayment situation where it would have naturally occurred.

1620

As I say, I've taken to student groups that are very excited about it. The fact that we're now, in a sense, saying to students: "Pursue your education. We're going to give you the time needed to settle" is, I think, a very, very important message.

Can I ask for a time check?

**The Vice-Chair (Mr. Robert Bailey):** You've got about 12 minutes.

**Hon. John Milloy:** Twelve minutes, all right.

**The Vice-Chair (Mr. Robert Bailey):** Ten.

**Hon. John Milloy:** Ten minutes. I want to talk a bit about the issue of quality. Mr. Marchese, you and I have had this discussion two years ago. We've had this discussion in various exchanges in the Legislature.

I'm very proud of the quality of education in the province of Ontario, in our post-secondary institutions. I'm aware—the statistics come out, reports come out, that you've referenced, but at the same time, we have other work that's being done on the system, everything from outside evaluators who come in and rank Ontario universities as some of the best on Earth to the work that we do through things like our multi-year accountability agreements.

As you know, as part of Reaching Higher, we entered into agreements with colleges and universities to start to measure what's going on within our colleges and universities. What we're hearing back is demonstrating to me that we have very good, quality education in our colleges and universities and that we're on track to improving that quality. I certainly don't want to leave the impression that we're not always trying to figure out ways to make things better.

But my measurement of quality is perhaps a little bit different than yours, and I want to share with you some

of the statistics that support what I'm saying. First of all, to go back to the original point that I made in this 30-minute session, it's about the students. What are students saying? Well, in 2008-09, under the multi-year accountability agreements, about 79% of undergraduates said they were satisfied with their post-secondary education. In addition, 78% of undergraduates agree that given the option to start again, they would choose the same university they are now attending. University graduation rates increased from 73% in 2002-03 to 78% in 2008-09. These are the last years that the figures have all been assembled.

One of the issues that you talked about, I believe, was class sizes or faculty-to-student ratios. It's very interesting that sometimes the media take a look at student-faculty ratios and use that as a proxy for class sizes. It's a little more difficult to get a total view of what is going on in terms of class sizes because the student-faculty ratios can be measured in different ways. They're not the most accurate thing.

But at the same time, when we're looking at class sizes, I think we've got to take a look at some of the research done and some of the comments that have come forward from students. Recently, the president of the Ontario Undergraduate Student Alliance, Meaghan Coker, who I've met with a number of times, said, "Look, it's about the quality of the learning environment." A better learning environment is not necessarily a direct result of lower student-faculty ratios. It's about that learning experience.

The fact is that we do take a look through some of our measurements as to what is going on in terms of the size of university classes in particular. I'll share some statistics with you. Institutional data from the COU website Common University Data Ontario, CUDO, reports that for 2009, 40% of first-year undergraduate classes had average sizes under 30 students, and 75% under 100 students. Of fourth-year undergraduate classes, 78% were under 30 students, and 99% were under 100 students.

So, as I said to Mr. Marchese and others, I think that sometimes, there's all these proxies about how many faculty versus the students. We hear that that there's a lecture hall with 600 or 700 students; that must be bad. Yet, as I say, to quote from the head of OUSA herself, she said no, it's about the learning environment.

That being said, when we look at some of these statistics, what we find out is the majority or the vast number of these classes that are going on are actually at what I think would be a reasonable level. It depends on what's going on in the classroom in terms of the size that's going forward.

I want to get to training, and I'm just a little worried about my time.

**The Vice-Chair (Mr. Robert Bailey):** You've got about—

**Mr. Rosario Marchese:** You have time.

*Interjection.*

**Mr. Rosario Marchese:** He's got time to respond to the training one, I think.



**Hon. John Milloy:** Yes, I've got six and a half minutes.

**Mr. Rosario Marchese:** Take your time.

**Hon. John Milloy:** Take my time?

One that I do want to talk about, before I go to training, is the support for students on a per-student basis. Obviously, when we're dealing with a situation where we're seeing tremendous growth in the system, the increases in budget go to cover that growth, but they've also gone to cover the amount of per-student funding.

Just to put it on the record, in terms of overall amounts, in 2009-10 we allocated \$3.242 billion in operating grants to universities. That's an increase of 70% over funding provided in 2002-03.

University per-student funding has increased to \$8,565 per full-time eligible student in 2009-10, from \$6,718 in 2002-03. Based on preliminary enrolment data, that's an increase of 28%.

I could also provide you with the numbers for colleges, but I think Mr. Marchese raised the OCUFA study, so I was trying to look at what's happening with universities. Again, not only have we funded growth, but we've funded the dollars per student, moving forward.

With the limited time I have left, I want to just talk a little bit about training and what Mr. Marchese has said.

Mr. Marchese, I want to tell you in the general thrust that government can't do it alone; I agree with you 100%. This has to be a partnership, and it has to be a partnership between government, between employers, between unions. I've been proud of the work that we do.

Informally, I've met with many of the organizations that are responsible for issues around skills shortages and training—the Canadian Manufacturers and Exporters, the CAW; the list goes on of groups that have come to us and said, "How can we engage employers?"

One of the ways that we've done it in the area of literacy is putting forward programming which offers support and partnerships to employers who want to increase the level of literacy amongst their employees. Certainly, we've had some very positive feedback. We have a number of pilot projects that are working in that area.

We've also reached out in terms of aboriginal communities to employers, saying, "Can we set up a partnership so that you can designate or identify certain aboriginal students who you want to put through a training program, with the expectation that there's going to be a job at the end?" We're building those types of partnerships.

One of the problems that we've had is convincing employers of the value of training. Obviously, an employer who has a new technique or a new technology realizes they may have to train a particular worker on how to use a new machine or how to use a new technique. But at the same time, what they also have to realize is that there's tremendous value in upgrading the literacy and upgrading the numeracy of their workforce.

I remember hearing a presentation from a woman who was the head of a large hospital, who talked about how they had brought in a new emergency management

technique involving a great deal of the support staff—the porters, that sort of thing. She said the first day they tested it out, it was an absolute disaster because what she discovered, to her embarrassment, because she had no idea, was that the material that had been provided in writing to the staff as part of an educational component—the literacy levels of some of these staff was not high enough, and she had a bigger issue in the hospital that she had to deal with.

It's getting that message out to employers that they need to recognize that raising the level of literacy and numeracy, even if it doesn't correspond to that new piece of machinery or that new piece of technology, is going to help increase the capacity of their workforce.

As I say, I've been very proud of some of the partnerships that our ministry has had. It's certainly an area where we should be doing more, and we're going to continue to work with them.

**1630**

**Second Career**—I've got two minutes—we will have an opportunity to discuss. I think it has been a very, very successful program. Part of its success has been that we've adapted the criteria to the needs of the workforce and to what's happening out there, particularly in terms of individuals who are part of a large layoff, the large waves of layoffs that come forward.

I will say, if I'm allowed one little comment here, of this end, that you and I will always disagree over the history of the changes in criteria, because my recollection is we brought in the program in June and we made some adjustments in November to make sure that it was open to people. You were standing up and still criticizing it for many months after. But maybe we'll leave that as a point of disagreement between us.

With about one minute left, I do look forward to talking about some of the Second Career issues as we move forward.

**The Vice-Chair (Mr. Robert Bailey):** You've got 30 seconds if want to finish.

**Hon. John Milloy:** No. I'll just thank Mr. Wilson and Mr. Marchese again for their comments.

**The Vice-Chair (Mr. Robert Bailey):** Thank you, Minister and staff, deputy ministers, for being here.

We'll now move to the official opposition. We're going to go in 30-minute rounds—20-minute; sorry—20-minute rounds, starting with Mr. Wilson.

**Mr. Jim Wilson:** Thank you, Mr. Chair. I just lost 10 minutes.

Minister, we must have had very similar advisers when you said you had a local adviser have you play the game to time how long it took an interest group to mention the word "student." I had the exact same advice my first week as Minister of Health from one of my local advisers around the word "patient." My chief of staff and I did that for the first couple of months. We had some meetings where you'd go as long as 40 minutes before anybody got around to mentioning patients. It was all about—

**Mr. Rosario Marchese:** I don't remember getting that advice.

**Mr. Jim Wilson:** Yeah, well, that's why you are where you are. Sorry. It's a compliment to Mr. Marchese, though. You have your take on student-faculty ratios, for example. But that is sort of the most commonly used measurement of quality with the student groups we talk to, with OCUFA and when we look at stories across North America. We still rate, if OCUFA is correct, among the lowest in North America for student-faculty ratios.

I'm just going to ask you, have you not tried to improve the ratios during your time as minister? Or do you just not believe in that measurement? You've given the same answer in the House in the past, that they're kind of irrelevant. They're not irrelevant. I have students who are sitting in POL208 at U of T who have one professor to 1,200 students.

**Hon. John Milloy:** I've had this discussion with the folks in my ministry who crunch the numbers. Student-faculty ratios—I forget; OCUFA uses, I think, 1 to 26 or something, so one to 26 becomes 1,200 students in a lecture hall. It's used, I think, very casually as a proxy for class sizes.

First of all, I'm saying—and I've had university presidents confess to me that you can have all sorts of fun with student-faculty ratios in terms of what you count, what you don't; if I want to compare myself to someone else and make it look good or make it look bad; what's the definition of "faculty" and what's the definition of "student." The issue, and you got right to it, was class sizes.

As I said, I provided some of the Common University Data Ontario, CUDO, data set reports of what's going on out there. I've also taken a look at some of the research that's going on in terms of class size. The fact is that what I've heard from student groups—as I say, Meaghan Coker, of the Ontario Undergraduate Student Alliance; I could provide the quote for you. I believe it was in Maclean's magazine that she gave an interview. What she basically said—I'm paraphrasing; I don't have the article in front of me—is "Look, you can have a very, very small class with a very, very bad professor."

It's about the learning environment, and that's not necessarily a direct result of this student-faculty ratio. We're looking through the MYAAs, and we're looking at negotiating a new set of MYAAs. We're looking at indicators around quality that are going to say, what is the student experience, what is the educational environment and the learning environment, and how are students getting supported? I read into the record in my 30-minute response that students are saying they are having a good experience and that they would recommend it to other people.

We could also talk about the employability of PSE students in the province of Ontario. They are leaving college and university and being snapped up by employers. There is that great partnership that's going on.

**Mr. Jim Wilson:** Along the line of faculty, we have had programs in the past that gave extra money to uni-

versities, for example, for faculty renewal and the hiring of new faculty. What are you doing in terms of trying to get more professors in the classrooms?

**Hon. John Milloy:** Well, the 20,000 students that were funded for this fall, the \$310 million—I think that was part of the exchange we had this morning—part of that money will go, in many cases, to hiring new faculty because of the pressures of these new students.

Part of the problem—and we'll probably experience this anytime the TCU minister is in front of the estimates committee—is of course that there's a marginal aspect to funding colleges and universities. If I want to expand a program that has 25 students to 28 students, it's probably not going to cost me very much to have three extra chairs in the back row so that I can have three extra students. If I want to add an entire new section of a program and have to hire new faculty, that's going to have more costs per student. So although we fund on a per-student basis, a lot of it goes, as I say, in terms of what the marginal cost is.

The deputy has just given me some information on new faculty hires, and I can certainly read it into the record. As I said, through the MYAA, we are having a very close-up view of what is going on in our institutions, and we have an annual review process. The ministry has confirmed that there were 847 net new university faculty hires in 2006-07, 600 net new university faculty hires for 2007-08, 1,795 net new hires in 2008-09 and 150 planned net new university faculty hires for 2009-10. In the college area, according to College Employer Council Data, there were 475 more full-time faculty staff at colleges in fall 2008 compared with fall 2003, and 65 more full-time faculty staff in fall 2008 compared with fall 2007. We have more breakdowns, if you want, on part-time versus full-time in the universities.

**Mr. Jim Wilson:** So why does OCUFA constantly lobby that they need 20,000 more professors? Your numbers fall far short of what their discussion always is.

**Hon. John Milloy:** I'm not here to answer for OCUFA. Certainly those I know who are working in the sector are very proud of what is happening. I'm not saying there are not pressures and that we haven't seen tremendous growth in the system, and one of the comments I always leave with every university and college gathering is to thank them for this growth. I mean, 140,000 more students is phenomenal growth over a short period of time.

There are always pressures as this growth goes forward, and I'm sure there are always opportunities to expand. But I look at the fact that students are expressing satisfaction, graduation rates are going up, students are leaving to get jobs and again, as international rankings come out, Ontario institutions are seen as some of the best in the world. We're attracting students from all around the world. I'm very bullish about the college and university system here in the province of Ontario.

**Mr. Jim Wilson:** As was mentioned this morning by my colleague from the NDP, the Premier did make a promise to bring per-student funding up to I don't know



if it was the average for Canada, the middle of the pack or the median, but you mentioned just a few minutes ago that, yes, per-student funding has gone up about 28% since 2002-03. What should it have gone up to, had the Premier kept his promise?

1640

**Hon. John Milloy:** I'm just going to ask the deputy. We have the college and the college per-student—I also want to get that on the record, and then I'm going to answer you. University is 28%, and college—sorry, perhaps I can get you the college increase.

**Mr. Jim Wilson:** Because it still leaves us, even with the increase—

**Hon. John Milloy:** You know, this is—

**Mr. Jim Wilson:** We get a lot of student groups who do the research telling us that we're still either the lowest or the second-lowest in Canada in support for students on a per-capita basis and the lowest on just a pure per-student basis among all the provinces. You may want to refute that.

**Hon. John Milloy:** If I remember correctly—I think we had the discussion several years ago as to the source, where you said the Premier's comment about where we would be in regard to other provinces, and actually it is all coming back as a bit of déjà vu that we had this discussion. In terms of comparisons of per-student funding with other jurisdictions—again, I can turn to the deputy, and we have some folks who can walk you through the numbers—I do have some problems with some of the interprovincial comparisons.

When we look at jurisdictions like Newfoundland, Manitoba or Prince Edward Island, which have just a couple of small institutions with a small number of students and a certain course mix, and compare the per-student funding they receive from the province—in other words, take the provincial budget and divide it by the number of students when the number of students is in fact smaller than one institution in the province Ontario—I don't know how accurate it is to make those comparisons.

When you have institutions like York or U of T, with tens of thousands of students, of course you're going to find that per-student funding is different because of the economies of scale that are there. So I have problems, and I've had this discussion with reporters and others making those types of comparisons. But I'm happy and, Deputy, I look to you if we want to bring forward—we do have people who are very familiar with the numbers, who can outline where we stand. I'll ask you if you want to respond on interprovincial comparisons.

**Ms. Deborah Newman:** Sure. I'll begin with the increases in per-student funding for university students and college students. University per-student funding has increased from \$6,718 in 2002-03 to \$8,565 in 2009-10, which is an increase of 28%. College per-student funding has increased from \$4,594 in 2002-03 to \$6,654 in 2009-10, an increase of 44.8%.

As the minister mentioned, I think this is an issue of scale and volume, in the sense that unlike any other

province in Canada, we're growing at unprecedented enrolment rates. With 140,000 more students with this infusion of funding and the massive enrolment growth we have experienced, it's always a case of continued investment to bring up the levels of per-student funding. It's a scope and scale issue.

**Mr. Jim Wilson:** Of the 20,000 additional student spaces you're paying for this fiscal year in these estimates, how many are international students? That comes from the Canadian Federation of Students, wanting to know that.

**Hon. John Milloy:** None of them are international students. The 20,000 are all domestic.

**Mr. Jim Wilson:** So when the Premier talked about making money off international students, where it might be good business for Ontario, what was he referring to? When is he welcoming all these international students, and where are you going to find the money?

**Hon. John Milloy:** Well, we have 37,000 international students who are studying in the province of Ontario right now. We are looking at increasing that number over the next five years. We've made a commitment, I believe, of a 50% increase in that number. Those students are not eligible to receive support from the province of Ontario through operating funding, so they pay a fee which covers the cost of their education.

To go back to reference something I said earlier: Certainly, with the popularity and the prestige of many Ontario universities, we're seeing an increasing interest in international students coming over. They enhance the learning experience at the college or university. They certainly add to the economy in the sense of the resources that they bring to live here, to study here and to make their lives here, and they do pay foreign student fees which, as I say, cover the cost of the program. To go back to some of the cost issues I mentioned in universities and colleges, many of them find it an additional source of revenue to bring in these international students. Other jurisdictions, Australia and other places, have seen it as a very valuable way to enhance the system and to bring more resources to the system.

We've seen an increasing interest in terms of international students. I've met with representatives of various governments who are interested in strengthening their ties here. We work with a variety of organizations and with the institutions themselves in terms of promoting Canadian study or Ontarian study—or the Ontario part of Canadian study. We certainly think there's a great deal of interest internationally on it. One of the things we're looking at is, how can we strengthen the strategies of institutions so that we can achieve the growth that we outlined?

**Mr. Jim Wilson:** I'm sure there are lots of benefits to having the international students that we do have and welcoming some more. The worry for people who may not understand all the intricacies of the post-secondary education system is that people want to guarantee that Canadian students or Ontario students who are applying won't be somehow displaced by a fairly large influx of international students. What's your comment on that?

**Hon. John Milloy:** That certainly has to be paramount in terms of the planning that goes on. The institutions take a very balanced approach in terms of going out and recruiting students, identifying programs that they want to promote and making sure that the two are complementary. I mean, we've seen a significant increase in the number of international students over the last number of years and we've seen a phenomenal increase in the case of the number of domestic students.

One of the things we did this year which was very different from previous years is that we went out and worked very, very closely with the institutions to get their estimate of the number of domestic students, if I can use that term—non-international students—who were coming into our colleges and universities this fall, so that when the finance minister presented his budget, he said, "Look, we're planning for 20,000, we're funding 20,000." We're going to continue to work with the system to make sure that we have a good handle on the number of domestic students who are coming in and making sure that we can create the spaces for them.

**Mr. Jim Wilson:** Directly from one of the student groups, the question is: Why has the government not fulfilled its 2007 platform promise to reallocate money from education tax credits to fund upfront grants? I know they've discussed that with you.

**Hon. John Milloy:** I'm sorry?

**Mr. Jim Wilson:** They've discussed that with you.

**Hon. John Milloy:** Yes, I've heard from student groups on it.

We continue to look at areas of student assistance, and we brought forward what I thought was a very robust package. It was certainly greeted very warmly by the student groups in the spring, and that was based on very careful discussion with them.

In terms of that particular plank of the platform, it's something that we continue to look at in terms of continuing to move on support for OSAP. But at this stage, it's something that we haven't been able to move on.

I've said to the student groups that we're going to continue the dialogue. We had a meeting with a number of them just several weeks ago to talk about where we should go in terms of student assistance. We're going to continue to look at that proposal and continue the dialogue.

**Mr. Jim Wilson:** Another question from a student group, and I alluded to it at the end of our last session before the break: What is the exact monetary value of one university basic income unit, BIU, this year and what are the projected values for the next two years?

1650

**Hon. John Milloy:** Mr. Wilson, you'll be pleased to know that we have an official who has been practising, I think, all through the lunch hour. If we have time, Mr. Chair—do we?

**The Vice-Chair (Mr. Robert Bailey):** We have a minute and a half.

**Hon. John Milloy:** A minute and a half. Could we go in the next round, do you think?

**Mr. Rosario Marchese:** How long does it take?

**Mr. Jim Wilson:** How long does it take?

**Hon. John Milloy:** We'll—

*Interjection.*

**Hon. John Milloy:** Yes.

**Mr. Rosario Marchese:** We don't want to deprive that person of the—

**Hon. John Milloy:** Well, I think, in fairness, Mr. Wilson had asked a broader question about BIUs.

**Mr. Jim Wilson:** Well, I was going to broaden it out, so I'll give you a break. We'll go on to Mr. Marchese.

**The Vice-Chair (Mr. Robert Bailey):** We've got about a minute and a half. If you want to sum up, Mr. Wilson, or if you've got something to—

**Hon. John Milloy:** But I would be happy, Mr. Wilson, as I say, to have someone go back to the question that you had.

**Mr. Jim Wilson:** Well, here are a couple more that hopefully we'll get back to either today or tomorrow.

**Hon. John Milloy:** Yes.

**Mr. Jim Wilson:** Again, from the student groups, one of them: How much did the government spend to subsidize interest on student loans for students who are in school?

*Interjection:* There's another expert on that.

**Hon. John Milloy:** Another expert. I'll turn to the deputy to—

**Mr. Jim Wilson:** This one has got me stumped: How much did the government receive in interest payments on student loans? It seems to me you wouldn't receive interest payments on student loans.

**Hon. John Milloy:** Can we call ADM Naylor?

**The Vice-Chair (Mr. Robert Bailey):** We've got 30 seconds.

**Mr. Jim Wilson:** Answer one of them. I've got about 54 of them.

**Hon. John Milloy:** We could also get back to you in writing, Mr. Wilson. Should we do that, Mr. Chair?

**The Vice-Chair (Mr. Robert Bailey):** Why don't we do that?

**Hon. John Milloy:** Yes, and we could take a list of the questions.

**The Vice-Chair (Mr. Robert Bailey):** We're running down the clock here, and it would be fair to everybody.

**Hon. John Milloy:** Yes.

**The Vice-Chair (Mr. Robert Bailey):** So we'll say that's—

**Mr. Rosario Marchese:** She's got so many tabs over there.

**The Vice-Chair (Mr. Robert Bailey):** Well, maybe next round.

If you want to start, Mr. Marchese, we're moving to the third party. There are 20 minutes to Mr. Marchese, so wherever you want to—

**Mr. Rosario Marchese:** Thank you very much, Mr. Chair.



Mr. Minister, according to Stats Canada data for the current year, Ontario's post-secondary students pay the highest tuition fees in the country. The average undergraduate tuition this year in Ontario is \$6,300. The national average is \$5,100. In Quebec and Newfoundland, it's well under \$3,000. I'm assuming you agree with these numbers, yes?

**Hon. John Milloy:** No.

**Mr. Rosario Marchese:** I see.

**Hon. John Milloy:** No, and I'm happy to provide an explanation.

**Mr. Rosario Marchese:** I do want to tell you that these figures come from Stats Canada.

**Hon. John Milloy:** I realize that.

**Mr. Rosario Marchese:** You and I respect Stats Canada, don't we?

**Hon. John Milloy:** I greatly respect it.

**Mr. Rosario Marchese:** And you and I attacked the federal government when they were just playing with that, right?

**Hon. John Milloy:** I wrote a very strongly worded letter.

**Mr. Rosario Marchese:** I remember.

**Hon. John Milloy:** Yes.

**Mr. Rosario Marchese:** All right. Speak to that, and then—

**Hon. John Milloy:** Yes, and I'm not trying to be difficult. You did ask whether I agree with them. Stats Canada used a different methodology. Stats Canada includes fees from all types of undergraduate programs, including high-demand, professional programs like medicine, law and dentistry, which are not available in all provinces. This resulted in the average for Ontario being \$6,307. In fact, the average Ontario undergraduate arts and science tuition for the same year, based on our calculation, was \$5,214. I'm happy to have the folks who've maintained the numbers for the province of Ontario to explain the difference or to walk you through the numbers.

**Mr. Rosario Marchese:** If that is true, you would have been upset about how Stats Canada did these numbers. You sent a correction, at least, showing them that somehow they were using data that doesn't reflect very well or adequately your own position. Have you sent that information to them?

**Hon. John Milloy:** We have had discussions with Stats Canada. Also, to put it on the record, I had a Liberal question in the House on the issue of the tuition framework, because the Stats Canada figures, to be very candid—I had a number of journalists phone me on this—showed that our framework was in fact being broken, that overall, universities and colleges were charging higher than the framework that was allowed.

**Mr. Rosario Marchese:** Have you met with them to discuss this matter? How are you fixing this little problemo?

**Hon. John Milloy:** Deputy, I can turn to you.  
*Interjection.*

**Mr. Rosario Marchese:** Maybe we should. Yes, Deputy?

**Ms. Deborah Newman:** Interprovincial comparisons are made difficult by the fact that different jurisdictions use different kinds of data, and StatsCan uses particular calculations. In fact, we've been discussing, both interprovincially as deputies of higher education as well as with Statistics Canada, on this and other fronts about comparability of data so that we are speaking the same language.

**Mr. Rosario Marchese:** Absolutely.

**Ms. Deborah Newman:** This is a conversation we're having.

**Mr. Rosario Marchese:** Have you sent your disagreement with how they're calculating this information to Stats Canada, and what did they say to you?

**Ms. Deborah Newman:** My own involvement is in meetings with StatsCan, rather than putting something in a written record, to talk about the difficulties around comparable data.

**Mr. Rosario Marchese:** So when you meet with them, what do they say to you?

**Ms. Deborah Newman:** I think it's acknowledged that interprovincially it is difficult, on these and other fronts, to compare the data and that we need to work toward some common benchmarking and definitions of data.

**Mr. Rosario Marchese:** I understand that too, but this has been going on for quite some time. Have you met with—you've been a deputy for how long again?

**Ms. Deborah Newman:** Two years in TCU.

**Mr. Rosario Marchese:** Did you meet with them last year as well?

**Ms. Deborah Newman:** Actually, it was just an opportunity we had about a month ago, to get together to have a meeting to talk about data and interjurisdictional comparisons of—

**Mr. Rosario Marchese:** Well, I have to tell you, if you don't correct this soon—I keep beating up the minister in the Legislature, and he doesn't like it, you understand? People watching this program—because you know there are a lot of fanatics who watch this program—are very concerned. They call me and, of course, they're upset with your minister. You've got to set this matter straight, it seems to me.

**Ms. Deborah Newman:** We've certainly raised the issue, of course: identifying a common solution among provinces, territories and federal colleagues. It's not the easiest thing to do.

**Mr. Rosario Marchese:** Sure, I understand. I'm looking forward to a solution. Minister, you and I both respect Stats Canada, so we've got a little problemo to fix, right?

**Hon. John Milloy:** Yes.

**Mr. Rosario Marchese:** Okay. Ontario had the highest tuition fees last year as well. This year, they increased by 5.4%. That's the highest increase in the entire country. In our view, this is spiralling out of control. But your legislation—and you, in fact, argue today that there's a cap. Is there a cap?

**Hon. John Milloy:** There is a cap. Actually, the 5.4% is as a result of—and this isn't a matter of opinion. The

framework in place has definitions of—and I mentioned in my response to you and Mr. Wilson what the tuition policy is. Through that policy, we have definitions of what is an undergraduate program, what is a professional program etc. Stats Canada is using different definitions. Therefore, that 5.4%, we disagree with that. We have a cap in place where the overall average for an institution is 5%. They have to report to us.

As I said, it's 8% for professional programs, 4.5% for undergraduate in the first year and then 4% as you move forward. The institutions have to report to us and if they've gone over, we will impose a penalty on them. We've never had to do that.

**Mr. Rosario Marchese:** But you see the problem we're having again, right? Stats Canada does one thing and then you say another. They have one framework or one way of describing or counting the numbers, and then we come to you and you say, "But they got it all wrong. We have a different way of doing it." So it creates a problem for everyone: for critics, obviously; for you, even. This is a problem for you because you have to defend yourself and say, "No, they got it wrong." Of course, I tend to support Stats Canada in terms of the ultimate arbiter of these things.

**Hon. John Milloy:** Although, if I may, we are talking about two slightly different things. I'm not trying to be difficult here. In one we're talking about measurement and in one we're talking about a policy framework.

We do not have medicine, dentistry or law as an undergraduate program as part of our tuition framework. That is not an undergraduate, it's a professional. That's the way we've chosen to define it. You and I could have a debate about the policy of that, but the fact is, if StatsCan wants to define it that way it doesn't correspond with our framework, so you get this apples and oranges situation. So one's a measurement, another is a definition.

**Mr. Rosario Marchese:** But that becomes a convenient little thing for governments to be able to say: "Well yes, but they do this," and, "Yes, but we've got some other things in terms of a policy framework that they don't take into account." So in the end you argue, "These numbers don't mean anything." They mean something, but not much, because as soon as you do comparisons, you say, "Yes, but they don't calculate this or that because we've got a different policy framework." So what do these numbers mean, in the end?

**Hon. John Milloy:** You see, I would argue that the question is, is post-secondary education in Ontario affordable?

1700

**Mr. Rosario Marchese:** Yes, we'll get to that, because that's a concern for us as well.

The government of Ontario is the last in the country in per capita funding, which is disputed by you. According to StatsCan information from the 2008-09 academic year, their most recent available, Ontario spends \$420 per capita. The national average is over \$500. In Quebec and Newfoundland, it's over \$600.

Clearly, I see a pattern here. More provincial dollars mean lower fees; fewer dollars from the province mean higher fees for students.

By the way, this is Stats Canada as well. I see all these numbers here, in terms of what each province gives. There we are in Ontario. We're pretty low; we're the lowest.

**Hon. John Milloy:** I'm not sure that the chart you're referring to—I think the StatsCan data I have is that provincial operating grants per FTE in 2008-09, which is the last year it's available, were \$8,471.

**Mr. Rosario Marchese:** The point I'm making here is this is per capita, right?

**Hon. John Milloy:** Yes—oh, I'm sorry. You're speaking per capita in terms of population of the province; I'm talking about per student. I apologize. We're talking about different measurements.

**Mr. Rosario Marchese:** We are the derniers, last, ultimo. Any comment on that?

**Hon. John Milloy:** Sure. I'll talk about a few things. One is that we're talking about—I don't know. Again, if you're looking at Prince Edward Island—which I believe has a college and a university; it has a handful of students and it has a very small population—compared to the province of Ontario, where we're talking about dividing it up by 13 million, where we're talking about universities and colleges which literally have tens of thousands of students—in the case of the University of Toronto and York University, I think, together about 125,000 students—the fact of the matter is, in terms of the scale of the operations you're seeing there, it would be logical that there would be less spent per student. You maintain a very large library for 10,000, 20,000, 30,000 students, versus PEI, which would have to maintain a large library for a handful of students.

The comparisons—I don't know how valuable they are or how much they say.

**Mr. Rosario Marchese:** I can only use comparisons done by Stats Canada, and we both respect them. You too, right, Ted?

**Mr. Ted McMeekin:** You have admitted several times—you acknowledge that they're wrong, so let's—

**Mr. Rosario Marchese:** Oh, I acknowledged they're wrong?

**Mr. Ted McMeekin:** Yes, you did.

**Mr. Rosario Marchese:** Oh, I see. Okay. Thanks, Ted. You've announced, of course, the Reaching Higher plan, which you've always made reference to with great fanfare since 2004. That plan pledged to increase the province's per-student funding by 20%. Since that time, the per-student funding has actually declined by 2%—again, Stats Canada.

**Hon. John Milloy:** No, the university funding has seen an increase of 28%, and college funding around 44.8% for 2009-10.

**Mr. Rosario Marchese:** I'll have to pass these stats, the same information I got, to you so that you can have it.

**Hon. John Milloy:** Okay.



**Mr. Rosario Marchese:** In my mind, your government has been failing our students miserably and failing miserably to meet these targets. Clearly, you're saying that this number I provided here is not true, is that correct?

**Hon. John Milloy:** I'm just giving you the number that is based upon the data that's provided by the ministry, which the experts in the ministry put together.

**Mr. Rosario Marchese:** Okay. You ended your tuition freeze a while back and embarked on the Reaching Higher plan. The plan was touted as a massive investment in post-secondary education, but tuition went up every single year at a rate greater than inflation. Don't you think that some of that investment should have gone to reducing tuition fees?

**Hon. John Milloy:** Again, we had a chance to comment a little bit on this this morning. I'm happy to go into it again.

First of all, we've put a framework in place which limits tuition fee increases so that there is that cap that exists, but we have put the revenues for student aid into helping those students most in need. We've also expanded that definition to include more middle-class students.

The other thing, if I may, is that part of the tuition increase, there's a tuition set-aside, so in fact that tuition increase money has to, by its nature, go into student aid.

**Mr. Rosario Marchese:** In your mind, 4.5% is not so bad. A 4.5% increase for the last four years is not so bad, and we're talking cumulative increases.

**Hon. John Milloy:** You see, what I measure is, is it affordable?

**Mr. Rosario Marchese:** I see.

**Hon. John Milloy:** I say there's 140,000 more students in the system. We have a student aid system, and I referenced in my opening this morning, which is highlighted as one of the most generous, if not the most generous, in Canada.

**Mr. Rosario Marchese:** So, when inflation was about 2% or less in the last four years—basically it would fluctuate between 2% and much lower—and tuition fees are almost more than double, in your mind, it's not so bad?

**Hon. John Milloy:** I'm saying that my measurement is, is it accessible—call it an absolute term—and then is there assistance there for students who are finding it a challenge.

**Mr. Rosario Marchese:** I got you.

**Hon. John Milloy:** I'd say yes in both cases.

**Mr. Rosario Marchese:** In a Toronto Star column last year, a former president of Ontario Confederation of University Faculty Associations, Brian Brown, wrote that Ontario's universities are being privatized by stealth due to chronic and systemic underfunding. As the shared provincial funding declines, tuition and corporate grants pick up the slack. Mr. Brown argues that this privatization will lead to the exclusion of the less affluent. What do you think about that?

**Hon. John Milloy:** First of all, some of the comments you're making—here, I think you asked me what I think

or perhaps Mr. Wilson asked me what I think about a certain comment made by OCUFA. I'll let OCUFA explain their comments. But the fact of the matter is, we have literally put billions and billions of dollars more into our colleges and universities over the last number of years and we've welcomed 140,000 more students into the system. We have a system which I am very proud of, which is producing outstanding graduates, and we continue to rank among the best colleges and universities around the world.

I guess my response is, is there more work to do? Are there pressures that are being felt? There are pressures that are being felt everywhere in the economy right now—

**Mr. Rosario Marchese:** You don't have a comment on what Mr. Brown said in terms of privatization—

**Hon. John Milloy:** What? About the privatization?

**Mr. Rosario Marchese:** Yes—by stealth.

**Hon. John Milloy:** I think that the government support—his comment was somehow this government is starving universities and colleges when we're literally putting billions and billions of dollars in, not only for growth, for capital and for per-student funding.

**Mr. Rosario Marchese:** I hear you. Billions of dollars that put us at 10th place on a per capita funding basis. I don't know how you could say that. I don't know how you could be investing so many billions of dollars and one of the wealthiest provinces in Canada being in last place. It just doesn't make any sense to me.

The government set a target for post-secondary attainment of 78%. In order to reach this target, post-secondary education must be accessible to low- and middle-income Ontarians. However, on page 9 of the Toronto Vital Signs report—have some of you read the Toronto Vital Signs report? An expert on the staff, perhaps?

**Hon. John Milloy:** The Ontario—

**Mr. Rosario Marchese:** You don't have to be—

**Ms. Deborah Newman:** It's not ringing a bell.

**Mr. Rosario Marchese:** Anyway, I'm making reference to the Toronto Vital Signs report. It was just released about a month and a half ago or so. The Toronto Community Foundation writes that astronomical tuition fees “put post-secondary education out of reach for many.”

This conclusion is based on a TD Economics' special report entitled *The Changing Canadian Workplace*. It shows that for Canadian students whose average marks in high school are 80% to 89%, the chances of going to university really depend on their family's income. For the wealthiest quarter of families, over 65% of students in that range of marks go to university. For the least wealthy quarter families, and these are students who have good grades, it's only 45%.

To quote the TD report, “This is a clear indication that many students who are very capable of succeeding at the post-secondary level are not pursuing this opportunity, in part, due to financial barriers.” This is from the TD report.

1710

**The Vice-Chair (Mr. Robert Bailey):** Two minutes, Mr. Marchese. Two minutes.

**Mr. Rosario Marchese:** Does the Ministry of Training, Colleges and Universities keep data, by the way, on the attainment gap between wealthy and low-income families? Do you keep that data based on what the TD study revealed, and do you have data for Ontario numbers, by way of what TD was saying is part of a Canadian kind of issue that we need to address?

**The Vice-Chair (Mr. Robert Bailey):** Minister, a minute and a half.

**Hon. John Milloy:** A minute and a half?

Listen, you're hitting bang on one of the issues that we spent a lot of time and resources focusing on, and that's reaching out to those who are not usually represented, or were not in the past usually represented in our colleges and universities. We're talking about first-generation students, the first generation in their family to attend college or university; aboriginal students; students with disabilities. We, as part of Reaching Higher, have put together a funding envelope which I believe this year is peaked out, because it was ramped up to about \$55 million.

We're working with a variety of programming to help reach out to these students. We've certainly continued to enhance OSAP. I spoke about the RAP program and other ways in which we're allowing students to have that financial security or that security as they go forward.

In terms of some of the measurements that have been done, I'm kind of caught because we're about to run out of time, but I know—and deputy, maybe we can come back to it on the next round—that we do have individuals here who can talk about the data that's being collected and some of the frameworks that are being put in place to move ahead with that.

**The Vice-Chair (Mr. Robert Bailey):** That's just right on the button, so now we'll move to a 20-minute round with the Liberal Party, the government party.

**Mr. Jim Brownell:** I first of all want to congratulate you on the birth of your son and to do that personally. I know the words did go around this morning, but I didn't get a chance to do it personally. I just wish you all the best.

I would like to recall a visit that you made to my riding. I'd like to get into Employment Ontario and the transformation that's gone on there. You came down to my riding a little over a month and a half ago to visit Job Zone d'emploi on Pitt Street. There, you met Wendy Woods-Fontaine at the site—she's the executive director—and met the wonderful group of leaders there helping out in this transformation that's gone on.

I know at Job Zone they provide many services. They were providing services in the past, but I know that with changes, they're providing expanded services: such things as resumé writing, interviewing tips for those seeking to advance in employment opportunities, job searching and counselling. They do many valuable activities for those people who are out looking for new

job opportunities and to upgrade skills etc. I've seen many folks in my office come in wondering where they can go for that kind of help, and I, and certainly my staff, have had opportunities to invite them to go down to Pitt Street to Job Zone and see the folks down there, Wendy Woods-Fontaine being one who I've had many dialogues with with regard to what I can offer those folks and encourage them to get down there.

I'd like to know, Minister—certainly we've heard about the transformation, but perhaps you could give some idea of what was transformed. Also, why was there a change made? Why were changes made to Employment Ontario; to possibly expand opportunities? I wonder if you could give us on the committee a little more information on what has gone on in the transformation and why the changes were necessary.

**Hon. John Milloy:** Sure. Thank you very much for the question, thank you for the good wishes about my son and thank you very much for hosting me in your riding several weeks ago—actually, I believe it was early August.

**Mr. Jim Brownell:** It was early August.

**Hon. John Milloy:** It was the point when the Employment Ontario transformation took place.

You raise a very important question about some work that I think is crucial, particularly in this economic climate, that the ministry has been undertaking. It actually goes back before I became minister following the 2007 election.

The core of the Employment Ontario transformation, or the heart of it, is the simple fact that up until very recently, labour market training in Ontario was divided between the federal government and the province. Many of us are old enough—I'm even old enough—to remember the old manpower offices, as they used to be called. There were federal employment programs and federal employment offices throughout the province. They contracted with community services and community agencies to deliver programming, most of it targeted at people who were eligible for employment insurance. The province, meanwhile, had a network of employment providers who provided a variety of employment services to those who tended not to be EI eligible. Again, there were various programs in a patchwork across the province.

As a result of some careful negotiations that I guess went on for some time between the province and the federal government, there was a labour market agreement that was reached between Ontario and the federal government with the transfer of virtually all federal employment services—there are still a few that they retain—to the province. That came into effect in January 2007, and under the leadership of my predecessor, Mr. Bentley, the ministry put together a network of employment opportunities called Employment Ontario. The problem is that with the federal programs and the provincial programs now under one umbrella, there was a tremendous amount of duplication and there were gaps in the system. You had situations where someone who was looking for a job could start in one office that was on one corner and be



directed to another office that was two doors down, or who might be directed across town or to another town in order to access a particular service.

We sometimes talk about this on a very vague level, but just to give you an idea, the types of things these groups do—I think you referenced Job Zone d'emploi—are things like resumé writing, referrals for training programs and information about labour markets; also, employers who want to come in and hire individuals. So we had this hodgepodge of groups and organizations, some of whom offered more services than others. You might have a little group that offered a job-finding club—twice a week, certain unemployed people could come forward and receive some help finding a job—but if they wanted to know about a training program, well, no, they couldn't help you; you had to go down the street, as I say, or sometimes next door or upstairs.

Part of the challenge, I'll be honest, is that many of these organizations had been providing these services for many, many years; they were established in the community. I'd say that virtually all of them had done an excellent job. We had a great relationship with them as a ministry, and as the transfer happened with the federal government, they became part of the family. So we had to sort out a way to take this patchwork and turn it into a system, and that became the Employment Ontario transformation.

I want to very publicly thank the officials in the ministry who worked very, very closely with the organizations. I joined this transformation midstream. There was a lot of consultation on the work that was done, both with the organizations themselves and also looking at all the communities, so taking a look at a community like Cornwall and saying: What services are available, who is providing them and how would it make sense? Because the goal we wanted was that an individual could walk into an Employment Ontario office—as I say, these offices are run by agencies we contract; in this case, Job Zone d'emploi—and get access to a full range of services. There would be no referral to another organization. They wouldn't be told, “No, you can't get Second Career” or “You can't access this, that or the other service.”

We worked with the agencies and organizations to put together a plan that would make sure communities were well served across the province—fill in gaps and, I will be very frank, get rid of duplication where it existed, because there were communities that were, if I can use the term, “overserved.” When you're looking at a large community like the city of Toronto, there were neighbourhoods that were overserved. What we had to do was work with the various organizations to understand what their capacity was and whether they'd be able to take on these different responsibilities, and talk about the fact that if it was an overserved area, we couldn't maintain three or four organizations that in some cases were literally within blocks of each other and we were going to have to—I have to be careful with my words, because it wasn't a case where we were funding them in

the core funding sense. What we had was a contract with them to provide services.

1720

So what we said was, “We're going to issue a new contract with organizations that are going to provide the full range of services in communities across the province to make sure that people have access to them. In cases where there is overlap and duplication, we may have to wind up that contract in favour of another group that has greater capacity moving forward.”

As you can imagine, it was a very delicate process, but there was a lot of good work done, and in January this year, the announcement was made about how this new network was going to be in place. Those organizations that were winding up—I should point out that some organizations said, “Look, this is a sideline we do; we're not interested in moving forward.” But we worked across the province, and then, on August 1, we had done all that administrative back and forth, and reconciliation, and we had the network in place. That's why I went to Cornwall. I went to Cornwall because Job Zone d'emploi has done such an excellent job. They have provided a full range of services, and to be quite honest with you, they were a model of what we were looking for in other communities across the province.

Our whole approach has been about the individual, and you always have to keep that in mind. To go back to Mr. Wilson and our exchange about always talking about the student, when you're talking about job services, you have to talk about either the individual looking for the job or the employer who is looking to hire someone. We wanted to make it straightforward. We wanted to bring forward a philosophy of no wrong door, and I was pleased with the way it went forward. There were some hiccups, there was a bit of press articles here and there as people adjusted to the new role, and some agencies and organizations moved on to focus on other work. But as I say, overall, I think it was a very positive experience. Particularly in this economic climate, where there have been layoffs and there is a high level of unemployment, it's crucial that people can walk through the door and get the full range of services they need, and don't feel that somehow they're encountering a bunch of red tape and bureaucracy.

**The Vice-Chair (Mr. Robert Bailey):** Nine and a half minutes.

**Mr. Ted McMeekin:** Thanks, Mr. Chair.

**Hon. John Millroy:** Leave about half a minute for me.

**Mr. Ted McMeekin:** Minister, I was thinking of you this morning. Somebody was talking about change, and made the observation that the only person who likes a change is a wet baby. But you obviously know all about that, so congrats to you.

A couple of quick references. First of all, I appreciate your coming down to meet a couple of times with the post-secondary education advisory committee we have in my riding. I have two universities and a college in my riding catchment area, and we meet quarterly, as you know, with about 20 students to talk about post-

secondary educational issues. It's a great education for me, as one who has been off campus for a while. You've been down once, and you're planning to come again.

A number of the students who participate in that advisory group volunteer doing literacy-related programs, and you know of my interest in the whole literacy area as a former bookstore owner. They've asked this question and, like MPP Wilson, I like to ask questions that the students put: What really is our government's commitment to literacy investment, and are there any particular barriers? I know we do have partnerships with other players. Are there any particular barriers to our achieving enhanced literacy in this great, wonderful province of ours? Because we know literacy is the key, isn't it, to one's ability to be successful in life, in the workforce and around quality-of-life issues?

I wonder if you could make some general comments and then maybe identify any barriers you are currently experiencing as minister, as you lead us through this important area.

**Hon. John Milloy:** Sure. It's an excellent question. I know that everyone around the table is concerned with literacy and has raised it many, many times. I think it's a very important issue, and one of the connectors that we've seen during the recession, because so much of our focus has been, very candidly, on laid-off workers. As laid-off workers have come forward and have looked at going back to college or a private career college through, for example, the Second Career program, they've needed that literacy upgrading. It's interesting; some people have told me that you could have finished high school, but that was 25 or 30 years ago, and when you're facing a college course or a training course, you don't have the literacy level that you need, and you need access to it.

One of the real focuses that we've put is how we can make sure that we have that literacy and skills-upgrading available to individuals who are looking to go through this training continuum. Certainly, through the Second Career program, we do offer an opportunity for individuals to upgrade their skills as part of the Second Career journey so that they can move on to a college or university.

One of our big partnership areas, of course, has been with the literacy providers. A few days ago, the Ontario Literacy Coalition was here at Queen's Park, and I had a chance to address them. I think you may have actually been there, Ted.

**Mr. Ted McMeekin:** Mr. Marchese was there as well. He gave some wonderful comments.

**Hon. John Milloy:** I took a few minutes to talk about some of the excellent work that they're doing in terms of supporting people who are looking to upgrade their literacy skills.

I, of course, have had the opportunity to visit many of the literacy programs. I've said before, and I'll probably say many, many times, that if you want to meet people with courage, meet a 40-year-old laid-off individual who's going back to upgrade their literacy skills. These are people with passion and people with great ambition.

The Ontario Literacy Coalition is a confederation or an umbrella group of a number of literacy providers across the province. Certainly, we work very, very closely with them, particularly during this period of the downturn.

In the 2009 Ontario budget, we announced an additional \$90 million over two years to expand literacy and basic skills training. This has helped up to 13,000 more Ontarians each year train for more highly skilled jobs.

I also referenced the work that's going on in terms of Second Career and other supports that we have in place for students who want to become ready to enter particularly the college stream. You talked about some of the challenges that exist. Again, I believe I spoke about it that day at the lunch, and I've spoken about it in the House. The \$90 million that we were able to put in it was made possible because of some of the additional training money that came our way from the federal government during this downturn.

We continue to express our concern to the federal government. Again, I don't mean to be flip, but the idea that somehow the recession is going to end—I shouldn't say the recession but the by-products of the recession or the fallout of the recession—on March 31, 2011, certainly isn't the case here in Ontario. We have seen, obviously, tremendous job growth, but we've also seen tremendous job displacement.

We've seen such wonderful work that's happened with the level of literacy. We continue to push the federal government so that we can have the resources that we need to continue working with literacy providers to make sure that they have the resources they need.

I've got to say what I said that day at the lunch: We're going to continue to push with Ottawa, but we also recognize the importance of literacy, and we're going to continue to work with the providers. It's something that is key, and it's going to remain, certainly, one of the priorities that I will have as minister and one of the priorities of the government.

As I believe I said at the lunch, let's talk about the future, but let's also congratulate the system, that network and what they've accomplished over the past number of years because they have changed lives. It's had a huge payoff in terms of, as I say, this whole continuum of training that's moved on.

**Mr. Ted McMeekin:** Thank you, Minister.

**The Vice-Chair (Mr. Robert Bailey):** Two minutes.

**Mr. Ted McMeekin:** Just commenting on part of what you said, I want to acknowledge Mr. Marchese's remarks. He literally moved me to tears; he was so eloquent in his comments about the importance of literacy and making the point about how it was something that transcended the sometimes parochial, partisan nature of this place. I know that our Chair, Mr. Dunlop, has had a real interest in the whole adult literacy field. I'm sure he has been intervening with the federal government to try to shore up the ongoing support for literacy programs.

1730

Minister, I thank you very much for that, and on the literacy front, keep up the good work.



**The Vice-Chair (Mr. Robert Bailey):** We've got about a minute and a half, if you want to wrap up, or we'll move—

**Hon. John Milloy:** Well, I can give you some statistics on the literacy and basic skills program. I spoke about the \$90 million. The literacy and basic skills program, including academic upgrading, helped over 61,000 learners in 2009-10, with 72% of exiting learners going on to further education and employment. Over \$111 million was invested in the literacy and basic skills program in 2009-10. This investment provides programs through over 200 agencies at almost 340 sites across the province, including colleges, school boards and community-based organizations.

As I say, I know there's going to be another day devoted to literacy here at Queen's Park in a number of weeks. I think Mr. Dunlop is going to be one of the hosts here, so we look forward to more discussion on that.

**The Vice-Chair (Mr. Robert Bailey):** Having said that, that's time; that round's up. We've got approximately 30 minutes left, so we'll move to 10-minute rounds, starting with the official opposition. Mr. Wilson.

**Mr. Jim Wilson:** I just lost another 10 minutes. It's amazing, this committee. No wonder I got off of it 10 years ago.

Minister, as part of the softer, gentler me today, I do want to do a finance 101 PSE in terms of answering questions on the basic income unit. I just warn you that tomorrow you're going to have Mr. Bailey and Mr. Hillier, so it won't be so soft and gentle an approach. But I think your fellow back there is dying to answer that question, and given that I might be your minister in a year, I want to be nice.

**Hon. John Milloy:** As I said, Mr. McCartan has been practising his answer.

**Mr. Barry McCartan:** Just, in order to answer the question—

**Hon. John Milloy:** Say your name.

**Mr. Barry McCartan:** Sorry, Barry McCartan from the Ministry of Training, Colleges and Universities.

In order to answer the question, I just have to put a bit of context around it. The BIU calculation is a key part of the university funding framework. It essentially determines how we fund students at institutions in eligible programs, and that's a critical distinction. We fund certain kinds of students. The minister referred to that earlier.

The BIUs are also critical for both what we refer to as the basic operating grant, which is the lion's share of the students, and for growth grants. We've been talking about the increasing enrolments in universities this session.

The basic income unit, therefore, is an enrolment unit that is weighted to reflect the relative differences in program cost according to our formula for university funding. A BIU is calculated by multiplying the number of full-time equivalent students that we would have in the university system by a program weighting factor. To make that very straightforward, a student at university who has five full courses, that counts as one FTE. If you're taking

part-time, say if you're taking two courses, that's 0.4 of an FTE. We figure out how many students we have, weight them by enrolment, then we multiply them by the program weighting factor. This is the BIU program weight.

The BIU program weight varies by program and level of study. I'll just cite a couple of examples to make it clear. Weights range from one BIU for a general arts and science program in the first year to two for programs such as engineering and six BIUs for Ph.D work. That's based on a typical two terms of study for undergraduate students.

Just to help with what that translates to in terms of per-FTE funding, I'll give you two examples. A BIU weight in upper-year arts and science of 1.5 attracts about \$5,799 per FTE.

The question you've asked, specifically, is the value of the BIU. Because it's part of a complicated formula, I'd like to make two points about that. First, the current value in 2010-11, which was a part of your question, Mr. Wilson, is \$5,442 of what we call basic operating income per BIU. That's the base unit against which the others are calculated. That amount has actually been increased by 6.4% over the last couple of years, over 2007-08.

The other part of your question is, what would the value be next year? I don't think anyone's in a position to say, until budget approvals are in place, what the value would be going forward, in 2011-12 or 2012-13. That would involve both the amount you have for all the base students you have—the vast majority of students—plus the students you have in growth envelopes: How would they be funded? That will await subsequent decisions.

**Mr. Jim Wilson:** When I was president of the student council at U of T, we used to be able to say—and this is getting into more layman's talk—but for a basic undergraduate, for every dollar the student put in, the taxpayer put in about \$7. We didn't talk the BIU so much; we simplified it.

I'm just wondering how much that's changed over the years. When I was in cabinet, we would look at ratios, because that's easy for politicians to understand, and try and stay within a belt that said that, in spite of fees going up every year and that, proportionately students are paying about what they have been paying for many years.

I'm completely willing to be blown away on this, but are students paying a heck of a lot more proportionately than they were when I went to school 25 years ago, based on what you're saying?

**Mr. Barry McCartan:** I think that that is true in every province in the country, and in the United States as well. Yes. I don't have the numbers handy. Perhaps—

**Mr. Jim Wilson:** So what would you say to a group of students now or their parents? "For every dollar you're contributing, the taxpayer pays"—what?

**Mr. Barry McCartan:** I defer to colleagues on that. The problem is, to figure that question out, you need both operating grants and how much we put into OSAP and a number of variables, and you have to compare it. If you're just—

**Mr. Jim Wilson:** But given that other comparisons across the country don't seem to satisfy the minister, I'm trying to find one that we can talk about.

**Mr. Ted McMeekin:** As long as it's not StatsCan.

**Hon. John Milloy:** Again, you talk about tuition versus other—let's call them public revenues that are going to a college or university. Obviously, you have the operating grants but also the support that's going through OSAP, which of course then offsets some of the tuition. You have capital funding that's going through. You can have a number of variables in terms of the measurement and the way you look at it.

I tend to always say, "Is it affordable?" As I said to Mr. Marchese, we have 140,000 more students, and they're lining up again for next year. We're looking at another appreciable increase.

**Mr. Jim Wilson:** I just want to ask you about that. With the 17.8% increase this year in your budget, you must be very popular in cabinet in terms of coming in and—I admit, you must be getting among the largest increases.

But just your opinion: Have we gotten that far out of whack that students are paying proportionately so much more of their cost of education and the government really has slacked off in spite of these huge increases year over year?

**Hon. John Milloy:** No. I think that—

**Mr. Jim Wilson:** Because that's what the students tell us, always.

**Hon. John Milloy:** But the students are also telling us—I read some of the statistics, and I can go through again. Students are telling us that they're satisfied with their education. Students are telling us that they're getting jobs when they complete. They're getting jobs in their field. Our institutions continue to rank as some of the best in the world.

As I say, we're seeing this participation rate. I was just handed—Mr. Marchese may be interested in this as well—a StatsCan document which shows the post-secondary participation rates of young adults, and Ontario in fact has the highest participation rate.

We're seeing young people who are flocking to it.

**Mr. Jim Wilson:** It's because they don't have a job.

**Hon. John Milloy:** But again, Mr. Wilson—and I mean this very seriously—some of the stats that you see—the recession was horribly unfair. You know who got dinged by the recession? It was people who had not gone on to post-secondary education or training.

In fact, I believe university—and we can provide the stats for you; it's a fascinating chart. Among those who were university-educated, I believe there was actually a net increase in jobs during the worst of the recession, so it shows the—

**Mr. Jim Wilson:** How many went back to upgrade, though, who already had a college certificate or diploma or a university degree?

1740

**Hon. John Milloy:** I was talking about the unemployment rate in terms of people who were laid off, in terms of the labour force.

**Mr. Jim Wilson:** I'd just be curious to know: Of the 140,000 who have joined post-secondary education, how many are returning?

**Hon. John Milloy:** I'll ask my—do we keep track of—

**Mr. Jim Wilson:** Are you keeping track of that number?

**The Vice-Chair (Mr. Robert Bailey):** A minute and a half.

**Ms. Deborah Newman:** I'm not sure that we have those stats, Mr. Wilson. We'll check, and if we do, we'll get that to you.

I think the minister's point is that in the middle of the recession, with the record numbers of job losses, those with post-secondary education—there was actually a net gain of 14,000 jobs. So there was a huge differential between those with high school and those with college, university and apprenticeship. There's another recent study that also reports that the earnings gap between post-secondary education grads and those who don't have post-secondary education is widening. The higher the level of post-secondary education, the greater the earnings that are actually being realized by grads.

**Mr. Jim Wilson:** One of the questions from one of the student organizations, too, is: How many students have to get loans outside of—they're maxed out on everything you can provide them from OSAP. Do we keep track of what they're having to borrow from family and friends and banks outside of OSAP?

**Hon. John Milloy:** My guess would be that we wouldn't have a way to track that, but certainly, conscious that Mr. Bailey is about to call it, we can take note of both questions, and if the statistics exist, we'll get them to you. It's the usual practice to provide a written response at the end to the questions that have come forward.

**The Vice-Chair (Mr. Robert Bailey):** Thank you, Minister, and thank you, Mr. Wilson. Mr. Marchese?

**Mr. Rosario Marchese:** Minister, I just want to repeat the quote that I'd given from the TD Economics special report. It shows that Canadian students whose average marks in high school are 80% to 89%—the chances of going to university really depend on their families' income. For the wealthiest-quartile families, over 65% of students in that range of marks go to university. For the least-wealthy-quartile families, it's only 45%. They say that, "This is a clear indication that many students who are very capable of succeeding at the post-secondary level are not pursuing this opportunity, in part, due to financial barriers."

It's very revealing. It's very class-based, of course, in my mind. Do you have an opinion on that? By the way, this is a Canadian study. Do you have an opinion on that, first, and second, do we break that down in terms of Ontario stats?

**Hon. John Milloy:** Yes, I certainly have an opinion on it, which is that we have to reach out to those who are not traditionally well represented in our colleges and universities. The traditional individual who's there is some-



one whose parents went to college or university, who has—as you raise—the financial wherewithal to go forward, who does not have a disability, who is not an aboriginal Ontarian. These are under-represented groups. We've made a conscious effort to target programming, to target strategies, to get these individuals in the system and to provide them with financial support.

**Mr. Rosario Marchese:** Okay. We're looking at high school marks; right? I'm arguing, as they did—I'm not sure they say it, but it is class-based. If you're wealthy, you tend to go, and if you're not as wealthy, even though you have good marks, it means you don't go to university. So something is wrong.

Are you saying that your ministry or the Ministry of Education is doing something about making sure that those students who have the high grades somehow get to university and that finances ought not to be a barrier and could not and would not be a barrier? Are you doing something about that? Is that what you're saying?

**Hon. John Milloy:** Yes, and I'm happy to outline some of the programming and—

**Mr. Rosario Marchese:** No, no, I don't want to hear that. By the way, this has nothing to do with people with disabilities or aboriginal people. It's a range of people; it isn't just a target group. When we talk about class-based, yes, aboriginal people are part of that, and people with disabilities certainly would be part of that in terms of income and so on, but it's a range.

You're saying you're doing something about it. Do you have a sense of what we're doing in high school to make sure that a lot of those students get to university if they want?

**Hon. John Milloy:** I can give you one example through my ministry, and that's Pathways to Education; it's funded through my ministry. They received a substantial grant for—

**Mr. Rosario Marchese:** And that's funded through your ministry, not the Ministry of Education; is that correct?

**Hon. John Milloy:** Yes, it's funded through my ministry.

**Mr. Rosario Marchese:** And you agree that that's a very successful program, right?

**Hon. John Milloy:** Yes.

**Mr. Rosario Marchese:** I agree too. Why are we only spending \$19 million if it works?

**Hon. John Milloy:** We spent it over four years. We saw expansion into a number of communities. I had a meeting with them very recently. I think they would—again, I don't want to start answering for them. They're making slow and steady progress. They're trying to get a foothold; they're—

**Mr. Rosario Marchese:** But they have a foothold in four areas of Ontario, and it works. I agree with you.

**Hon. John Milloy:** Yes.

**Mr. Rosario Marchese:** Why aren't we giving more support to them if we know that it has tremendous success in terms of getting students from that class-based environment that might prevent them from going? When

we provide the extra support, they do go, and if it's true that it works, why don't we provide more support? It's a good question for you.

**Hon. John Milloy:** I'm very proud of the support that we have provided. Is there more work to do? I know my deputy wants to jump in on the question. Would that be okay? It's your time.

**Mr. Rosario Marchese:** No. Please go ahead. Do you keep stats? This is a Canadian study, by the way. Do you have Ontario stats, by any chance?

**Ms. Deborah Newman:** The only thing I wanted to add, really, to what the minister said is that there has been recent work done by the Canadian Millennium Scholarship Foundation and HEQCO that looked at accessibility to PSE and looked at the kinds of factors that affect the likelihood of attending post-secondary education. What we're finding is that there is a range of factors, and more determinant than income level appears to be whether or not your parents actually went to post-secondary education, so it's—

**Mr. Rosario Marchese:** True, and it's usually class-based as well. People who go to university tend to—

**Ms. Deborah Newman:** It's not a strictly direct relationship, so it's parental PSE attainment as a critical factor. We do have a range of programs that we can outline for you that try to support—

**Mr. Rosario Marchese:** Other than—

**Ms. Deborah Newman:** The Pathways to Education, yes.

**Mr. Rosario Marchese:** Other than that?

**Ms. Deborah Newman:** We have a variety of other—

**Mr. Rosario Marchese:** We don't have to do it now, but if you want to send it to me, that would be great.

**Ms. Deborah Newman:** Absolutely.

**Mr. Rosario Marchese:** I usually ask for these things, and who knows when I get it or if I get it? But if you do, that would be great.

**Ms. Deborah Newman:** I'd be happy to.

**Mr. Rosario Marchese:** I have a few more comments.

To the Minister of Training, Colleges and Universities: You present two ideas for addressing the issue of accessibility, but for me, neither of them is the real solution. The first idea is expanding the number of spaces. On page 3 of the ministry's results-based briefing book, the government pledges to create 20,000 new spaces in colleges and universities and to make sure that every qualified Ontarian who wants to go to college and university will find a place. So I understand that.

Simply creating more spaces, for me, does not mean that every qualified Ontarian will find a place unless, of course, "qualified" means "wealthy," which is the argument I made a moment ago. The flaw for me is that there are two types of accessibility. Type 1 is the sheer number of spots available. Type 2 refers to whether lower-income and at-risk groups can access the spots that are available. Ensuring a space for these students requires more than just creating extra spots. I know that you will raise the fact that you've put in \$81 million more to expand and modernize the Ontario student assistance program. I

understand that. This is the second idea that the government has for ensuring accessibility, and in my mind, it's not a real solution either. I don't believe the program is efficient, and it's not targeting the students who need it.

I want to return to the TD Economics special report. I'm assuming that many of the experts have seen that. The report examines the effectiveness of student aid and other needs-based programs. It shows that students coming from the wealthiest quartile of families receive almost half as much in needs-based subsidies as those who come from the least wealthy quartile. I don't know if you want me to quote what they said.

**Hon. John Milloy:** Can I just clarify? This is for Canada, right, not Ontario?

**Mr. Rosario Marchese:** This is for Canada, yes. That's why I asked in my previous question whether you keep stats of the other study that they refer to, and obviously you don't. So if you don't keep stats, it's hard to know whether you can do any extrapolation of numbers.

**Hon. John Milloy:** But I could also reference, and I referenced them in one of the comments or statements I made this morning, or perhaps in my response, that there are two studies that have looked at comparisons of the Ontario system versus assistance systems across the country. I believe the Canadian Millennium Scholarship Foundation and HEQCO show that Ontario has, if not one of the most generous, the most generous student assistance program in the country. So I'm just saying: a national study—you talk about provincial comparisons, and I'm very proud of how we stack up.

1750

**Mr. Rosario Marchese:** But here's what they say:

"Federal and provincial programs aimed at alleviating these costs for lower-income families are ... inefficient.... And most alarming is the fact that, on average, students in the highest income quartile are receiving more universal subsidies, which include tax credits, and other transfers that do not distinguish between economic status, and almost half the funding given based on financial needs, including grants, bursaries and student loans, those in the lowest income quartile receive. This is clear-cut evidence of two inefficiencies: individuals and families in the lower income quartiles are not taking advantage of universal transfers due either to financial inability or lack of information, and that the transfer system of needs-based subsidies is unable to distinguish those who face legitimate financial barriers from those who do not.

"Ultimately, an effective needs-based program is necessary to ensure that all Canadians have equitable access to higher education...."

**The Vice-Chair (Mr. Robert Bailey):** One minute left.

**Mr. Rosario Marchese:** Maybe quick—we have a minute left.

**Hon. John Milloy:** Sure. Listen, I'll comment. You're talking about a national study. I think Ontario ranks very high. What I heard you say there is that low-income

students are not taking advantage of student assistance in the province of Ontario. A lot of the changes that we've brought into OSAP this spring were based on the feedback that we were hearing from student groups and experts in the field on ways that we could make it more accessible.

OSAP itself—the whole principle behind OSAP is, of course, based upon the income of the student and the family. By its very nature, it's targeted at those students who are in need. We've seen an increasing number of students who have come forward to OSAP.

As I say, you're talking about a national study which, sure, is raising a concern that we all have, that we want to reach every single student, every single family, and make sure that they know that post-secondary education—you might want to put it as a slogan—is much cheaper than they think in terms of the support that can move forward.

**The Vice-Chair (Mr. Robert Bailey):** Thank you, Minister. We'll do the final round with the government.

**Mr. Ted McMeekin:** Minister, all of us, I suspect, have had occasional concerns raised about private career colleges, particularly some of those that, under the radar and unbeknownst to the government, have been operating illegally. I know that there was some legislation that was brought in recently. Can you tell us a bit about the background of that and what the government is doing to protect students from illegal private career colleges?

**Hon. John Milloy:** Sure. That's an excellent question. I want to begin by just giving a little bit of background.

We do have a large number of private career colleges across the province that offer vocational training to Ontarians. They're a major part of our Second Career program, because many students, although they look at a community college option, also see the fact that a private career college can sometimes offer them training on an accelerated basis and allow that they can move forward in that career.

The private career colleges—and I work very closely with the organizations that represent them—for the most part, I would say, the vast majority in the province of Ontario are excellent. They offer good service. They offer good value for money. They're looking out for the students. But at the same time, there are some bad actors out there.

In a world where it's easy to talk about York or U of T or Ryerson and know what that means, if it's a private career college which has moved to your community, a student may not know: "Are they a good actor? Are they a bad actor? Am I going to be getting the type of education that I'm paying for there?"

One of the things that we did is, we took a look at the oversight of private career colleges. Actually, it was my predecessor, Minister Bentley, who brought forward a new act. In the past, private career colleges were basically treated as a small business, and they are, in effect, a small business. There was a register that was kept; that was about it.

We brought forward legislation which placed them, in a sense, in a new regime where they would have to be regulated. There would be oversight by the ministry. We



would register them and we'd be able to provide information to students about the individual college and deal with concerns that came forward.

That has been an ongoing process. Part of it was education. The act itself came into effect in late 2006. Part of it was educating the sector to make sure that the private career colleges, these vocational institutions, knew that this new framework was in place. Then, as the education has gone forward, as private career colleges have come forward and registered and met the various criteria that we've put forward, we have started to enforce the rules and make sure that students are protected.

Part of our work was assisted—and I say this quite honestly when I say “assisted”—by a report from the Ombudsman. I've recounted, I believe, in other settings that I had a chance to meet with the Ombudsman on a number of occasions. He has been very complimentary of the work that we've done to put in place protections for students, information for students, and the oversight that these institutions need to make sure that they're offering good value for students and protecting them. As I say, the private career college industry itself is very, very anxious to make sure that bad actors are not prevalent in the system, because they give everyone a bad name.

As a follow-up to this, we had a piece of legislation which was passed and dealt with a number of things, as members may remember. Part of it was changing OCAD to OCAD University, but it also brought forward some protections to private career college governance. We've combined that with directives and actions that have been taken by the ministry, and I can give you what some of these enhancements are. I can read into the record what tools we have to respond to them.

Enhancements to private career college governance include, and I'll read this into the record: a rigorous scrutiny of PCCs before allowing them to operate in Ontario—that's private career colleges; the creation of a framework to set standard requirements for certificates, diplomas and other credentials; and improvements to the program approval process that will introduce program standards and key performance indicators for all private career colleges—in other words, making sure that you're getting a proper program when you sign up to learn a particular trade or pursue a vocation.

Increasing student protection is, above all, our number one concern. As such, we've developed a number of initiatives, including a student awareness campaign to arm students with the information necessary before enrolling in a particular private career college; new standards for the regulation of private career college advertising to protect students from misinformation—so if you're going to apply to a particular program, you've got to make sure that what's advertised in the newspaper, on the Web or on a poster, is correct; increased protection for international students who pay fees before beginning their programs in Ontario; informing students with a statement of students' rights and responsibilities and ensuring they have access to the complaint resolution process; and, finally, we've developed the training completion assurance fund, TCAF, which took effect

January 1, 2009, and allows students to complete their training or receive a refund if a private career college suddenly closes.

You may not believe this, but I've welcomed some of the media scrutiny, some of the work of the Ombudsman and others, because, quite frankly, it was a bit of the Wild West before the measures were taken. I give full credit to Mr. Bentley. It has been a slow and steady progress to educate the sector, to educate students, to bring in this framework. Where we've seen weaknesses, where there have been problems that have come to light, we've taken steps through legislation, through regulation, to make sure that they're addressed, because we've got to make sure that this sector is robust; it's an important sector, and we've got to make sure that students are protected.

**Mr. Ted McMeekin:** Thanks very much.

**The Vice-Chair (Mr. Robert Bailey):** Three minutes.

**Mr. Ted McMeekin:** Can you elaborate, perhaps, Minister, a bit on what the reaction from those in the private career college field has been? I know there was some anxiety expressed initially, but has that been replaced with more confidence in the regulations that have come forward?

**Hon. John Milloy:** I've been very pleased with the relationship that we've had with the private career college community and the organizations that speak on their behalf. When we brought forward legislation last fall which dealt with—“last fall”: I have no idea what time of year it is; you can tell I have a baby at home. I guess it was in the spring we brought it forward—I say “last fall.”

**Mr. Ted McMeekin:** It was the spring, John.

**Hon. John Milloy:** It was the spring when we brought it forward. There were some concerns that were raised. There may be members of this committee—Mr. Wilson is chuckling; I think you were perhaps on the committee that looked at the bill. There were some concerns that were raised by the private career college community, and I was very pleased. A committee is all about putting these bills under a microscope, hearing from stakeholders. We were able to address a number of their concerns with amendments that were brought forward and to put it on a sound footing.

Part of it is—let's all be honest here—not simply what's written in a regulation, what's written in a bill; it's how the act is managed by those in authority. In TCU we have a very good group. In fact, we have representatives here, if there are technical questions that are asked, and I think they have a good relationship with the PCC world. They operate in a reasonable and fair manner to make sure that PCCs are given the support they need in order to meet all the criteria, to meet all the benchmarks.

When I talk to people who run a private career college, they are terrified of the bad actor, because that bad actor down the street can destroy their livelihood. They run an honest shop. Everyone says, “Hey, I'm not going to go to a private career college, period.”

**Mr. Ted McMeekin:** It reflects poorly on all of them.

**Hon. John Milloy:** It does. So we have seen, I think, an evolution of a good relationship. As I say, we're

listening. We took their concerns into consideration and we did bring forward some amendments to that piece of legislation that addressed them.

**The Vice-Chair (Mr. Robert Bailey):** Thank you, Minister. The time for the hearings today is over.

We're adjourned until tomorrow, Wednesday, October 27, after routine proceedings, when we will resume consideration of the estimates of the Ministry of Training, Colleges and Universities.

*The committee adjourned at 1800.*





## CONTENTS

Tuesday 26 October 2010

|   |       |
|---|-------|
| Ministry of Training, Colleges and Universities ..... | E-285 |
| Hon. John Milloy                                      |       |
| Ms. Nancy Naylor                                      |       |
| Ms. Deborah Newman                                    |       |
| Mr. Barry McCartan                                    |       |

### STANDING COMMITTEE ON ESTIMATES

#### Chair / Président

Mr. Garfield Dunlop (Simcoe North / Simcoe-Nord PC)

#### Vice-Chair / Vice-Président

Mr. Robert Bailey (Sarnia–Lambton PC)

Mr. Robert Bailey (Sarnia–Lambton PC)

Mr. Gilles Bisson (Timmins–James Bay / Timmins–Baie James ND)

Mr. Jim Brownell (Stormont–Dundas–South Glengarry L)

Mr. Kim Craiton (Niagara Falls L)

Mr. Bob Delaney (Mississauga–Streetsville L)

Mr. Garfield Dunlop (Simcoe North / Simcoe-Nord PC)

Mr. Phil McNeely (Ottawa–Orléans L)

Mr. John O'Toole (Durham PC)

Mrs. Maria Van Bommel (Lambton–Kent–Middlesex L)

#### Substitutions / Membres remplaçants

Mr. Rosario Marchese (Trinity–Spadina ND)

Mr. Ted McMeekin (Ancaster–Dundas–Flamborough–Westdale L)

Mr. Jim Wilson (Simcoe–Grey PC)

#### Clerk / Greffier

Mr. Douglas Arnott

#### Staff / Personnel

Mr. Terrence Teixeira, research officer,  
Legislative Research Service















3 1761 11549210 0